

# Governance Committee AGENDA



THE PUBLIC MAY ATTEND THIS MEETING

Please note this meeting will be audio recorded.

**Date: Wednesday, 25th March 2015**

**Time: 7.15pm**

**Venue: Committee Room1, Braintree District Council, Causeway House,  
Bocking End, Braintree, Essex, CM7 9HB**

## **Membership:**

Councillor S Canning  
Councillor H D Johnson  
Councillor J M Money  
Councillor I C F Parker

Councillor D E A Rice  
Councillor V Santomauro  
Councillor L Shepherd  
Councillor C M Thompson

**Members are requested to attend this meeting, to transact the following business:-**

## **PUBLIC SESSION**

- 1 Apologies for Absence**
- 2 Public Question Time**  
(See paragraph below)
- 3 Minutes of the Previous Meeting**  
To approve as a correct record the minutes of the meeting of the Governance Committee held on 14th January 2015 (copy previously circulated).
- 4 Declarations of Interest**  
To declare the existence and nature of any Disclosable Pecuniary Interest, other Pecuniary Interest or Non-Pecuniary Interest relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice where necessary before the meeting.

## **Monitoring and Finance**

- |          |   |              |
|----------|---|--------------|
| <b>5</b> | <b>Key Financial Indicators – 31st January 2015</b> | <b>5 - 9</b> |
|----------|---|--------------|

## **Audit and Governance**

- |           |  |                  |
|-----------|--|------------------|
| <b>6</b>  | <b>Internal Audit – Activity Report for the period to 6th March 2015</b> | <b>10 - 17</b>   |
| <b>7</b>  | <b>Internal Audit Plan 2015-2016</b>                                     | <b>18 - 23</b>   |
| <b>8</b>  | <b>External Audit Plan 2014-2015</b>                                     | <b>24 - 36</b>   |
| <b>9</b>  | <b>Grant Claims and Returns Certification year ended 31st March 2014</b> | <b>37 - 47</b>   |
| <b>10</b> | <b>Protecting the Public Purse 2014</b>                                  | <b>48 - 130</b>  |
| <b>11</b> | <b>Fraud and Error Discussions with those charged with Governance</b>    | <b>131 - 132</b> |

## **Committee Operation**

- |           |   |                  |
|-----------|---|------------------|
| <b>12</b> | <b>Governance Committee Annual Report 2014-2015</b>   | <b>133 - 137</b> |
| <b>13</b> | <b>Governance Committee Self-Assessment</b>   | <b>138 - 142</b> |
| <b>14</b> | <b>Forward Look – Twelve months to March 2016</b>   | <b>143 - 146</b> |
| <b>15</b> | <b>Urgent Business - Public Session</b><br>To consider any matter which, in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency. |                  |
| <b>16</b> | <b>Exclusion of the Public and Press</b><br>To agree the exclusion of the public and press for the consideration of any items for the reasons set out in Part 1 of Schedule 12(A) of the Local Government Act 1972. |                  |

*At the time of compiling this agenda there were none.*

## **PRIVATE SESSION**

### **17 Urgent Business - Private Session**

To consider any matter which, in the opinion of the Chairman, should be considered in private by reason of special circumstances (to be specified) as a matter of urgency.

E WISBEY  
Governance and Member Manager

**Contact Details**

If you require any further information please contact the Governance and Members Team on 01376 552525 or email [demse@braintree.gov.uk](mailto:demse@braintree.gov.uk)

**Public Question Time**

Immediately after the Minutes of the previous meeting have been approved there will be a period of up to 30 minutes when members of the public can speak.

Members of the public wishing to speak should contact the Governance and Members Team on 01376 552525 or email [demse@braintree.gov.uk](mailto:demse@braintree.gov.uk) at least 2 working days prior to the meeting.

Members of the public can remain to observe the whole of the public part of the meeting.

**Health and Safety**

Any persons attending meetings at Causeway House are requested to take a few moments to familiarise themselves with the nearest available fire exit, indicated by the fire evacuation signs. In the event of a continuous alarm sounding during the meeting, you must evacuate the building immediately and follow all instructions provided by a Council officer who will identify him/herself should the alarm sound. You will be assisted to the nearest designated assembly point until it is safe to return to the building.

**Mobile Phones**

Please ensure that your mobile phone is either switched to silent or switched off during the meeting.

**Comments**

Braintree District Council welcomes comments from members of the public in order to make its services as efficient and effective as possible. We would appreciate any suggestions regarding the usefulness of the paperwork for this meeting, or the conduct of the meeting you have attended.

Please let us have your comments setting out the following information

Meeting Attended..... Date of Meeting .....

Comment .....

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Contact Details: .....

<b>Key Financial Indicators – 31<sup>st</sup> January 2015</b>		<b>Agenda No: 5</b>
<b>Corporate Priority:</b> Deliver excellent, cost effective and valued services <b>Report presented by:</b> Trevor Wilson, Head of Finance <b>Report prepared by:</b> Trevor Wilson, Head of Finance		
<b>Background Papers:</b> Agenda item 10 Audit Panel 21 <sup>st</sup> September 2006		<b>Public Report</b>
<b>Options:</b> To accept or request further clarification on the financial performance indicators recorded as at 31 <sup>st</sup> January 2015.		<b>Key Decision:</b>  <b>NO</b>
<b>Executive Summary:</b>  <p>The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 31<sup>st</sup> January 2015.</p> <p>Commentary:</p> <p>a) The net General Fund revenue budget for the year is £15.2million. The net expenditure incurred for the ten months to 31<sup>st</sup> January was £10.138million. This represents an underspend of £546,000 compared to the profiled budget of £10.684million. The review of the Council's financial position undertaken at the end of the 3<sup>rd</sup> Quarter predicts an underspend of approximately £540,000 by the year end (the Quarter 3 Performance report is a separate report on this Agenda).</p> <p>b) The total budget for Salaries for the year is £14.321million. Expenditure on salaries for the first ten months of the year was £11.927million. This compares to a profiled budget of £11.831million. The overspend of £96,000 is after allowing for £281,650 of the Efficiency Factor (£324,630 for the year) and includes the payment of the agreed national pay award of 2.2% from 1<sup>st</sup> January 2015: an initial on account award of 1% had already been paid to staff and members effective from 1<sup>st</sup> April 2014.</p> <p>c) Expenditure on capital projects, to the end of January, was £11.329million against the Capital Programme for 2014/15 of £15.368million. The majority of the expenditure has been on the following three projects: £2.22million on the new Leisure facility in Witham; £4.14million on the purchase of 850 The Crescent, Colchester Business Park; and £1.26million on the purchase of land off Chapel Hill, Braintree.</p> <p>d) The total Council Tax collectable debit for the year is £74.67million. The collection rate as at the end of January is 95.3% (£71.17million collected), which compares to a rate of 96.3% for the same period last year, a decrease of 1.0%. The reason for the lower collection rate is due to the failure of approximately 5,000 direct debit payments for December. This instalment is to be recovered from those customers between</p>		

January and March; therefore the collection rate is expected to be on target by the year end.

- e) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £40.64million. The collection rate as at the end of January is 92.7% (£37.67million), which compares to a rate of 96.1% for the same period last year. The rate is 3.4% lower than the previous year and this is due mainly to the introduction in 2014/15 of 12 instalments, rather than the previous maximum of 10 and also the failure of approximately 300 direct debit payments for December. As with council tax the collection rate for business rates is expected to be on target at the year end.
- f) A total of 966 write-offs of Council Tax, with a value of £154,680, have been authorised in the year to 31<sup>st</sup> January: 138 in respect of the current year and 828 in respect of previous financial years. The majority of the write-offs of current year council tax are due to bankruptcy, small balances and no trace of the former occupier and also awards from the exceptional hardship fund, which are categorised as write-offs within the system. The high number of write-offs regarding previous years' council tax is due to a specific review of small outstanding balances, which have been through our recovery process but with no success.
- g) A total of 209 write-offs of Business Rates, with a value of £429,776, have been authorised in the year to 31<sup>st</sup> January: 31 in respect of the current year and 178 in respect of previous financial years.
- h) The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and NNDR, was £2.691million, of which £1.477million was in respect of Housing Benefit overpayments. The target for 2014/15 is to reduce the debt outstanding, excluding Housing Benefit overpayments and the Museum Trust debt, to £575,000 or less by 31<sup>st</sup> March 2015.
- i) Sundry debts, excluding housing benefit overpayments, were £1.214million at the end of January. This reduces to £0.636million after allowing for invoices raised at the end of the month, the museum debt and charging orders.
- j) The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.57%. This return was achieved on an average amount invested of £37.55million and relates solely to monies placed with banks, building societies, the Debt Management Office and in Money Market Funds.
- k) During October and November a total of £10million was invested in three equity funds (Threadneedle, M & G and Schroders) and one property fund (CCLA). These investments have been placed on the basis that the monies will not be required for at least 3 years. Dividends are paid on a quarterly basis: as at 31<sup>st</sup> January a total of £48,965 had been received from 2 of the funds, with an additional sum of £41,272 due to be received from the other 2 funds in February.
- l) Detail of the Council's investments of surplus monies, totalling £32.8million as at 31<sup>st</sup> January 2015, is provided at Appendix B.

<b>Decision:</b>	
Members are asked to accept the report of the Key Financial Indicators as at 31 <sup>st</sup> January 2015.	
<b>Purpose of Decision:</b>	
To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.	
<b>Corporate implications [should be explained in detail]</b>	
<b>Financial:</b>	<p>The anticipated outturn for 2014/15 on the Council's revenue account is a positive variance of £540,000. This is due to higher levels of income on a number of budget headings.</p> <p>Spend on capital projects totalled £11.329million as at the end of January 2015.</p> <p>Collection rates on both council tax and business rates are less than that achieved at the same period last year, but both are expected to recover and meet the targets by the year-end.</p>
<b>Legal:</b>	None
<b>Safeguarding:</b>	None
<b>Equalities/Diversity</b>	None
<b>Customer Impact:</b>	No direct impact but process of monitoring financial performance provides assurance of this element of the Council's governance arrangements.
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	Regular consideration of a suite of Financial Health Indicators is recommended good practice
<b>Officer Contact:</b>	Trevor Wilson
<b>Designation:</b>	Head of Finance
<b>Ext. No.</b>	2801
<b>E-mail:</b>	Trevor.wilson@braintree.gov.uk

**Key Financial Indicators at 31st January 2015**
**APPENDIX A**

	Full Year Budget	Actual as at 31 Jan 2015	Profile to 31 Jan 2015	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	15,200	10,138	10,684	-546	-5.1%
Capital Programme (Excl. capital salaries incl. below)	15,368	11,329			
General Fund - Salaries	14,321	11,927	11,831	96	0.8%

	Full Year Target	Actual as at 31 Jan 2015	Actual as at 31 Jan 2014	Variance
Council Tax collection in year - %	98.00%	95.30%	96.30%	-1.00%
Council Tax collection - income collected for year - £m		£71.17	£66.98	£4.19
Write-offs in year (April to Jan.) - £'000		£32	£29	£3
Write-offs in year - (April to Jan.) - number		138	543	-405
Write-offs all years (April to Jan.) - £'000		£155	£135	£20
Write-offs all years - (April to Jan.) - number		966	1390	-424
Business Rates collection in year - %	98.50%	92.70%	96.10%	-3.40%
Business Rates collected for year - £m		£37.67	£38.40	-£0.73
Write-offs in year (April to Jan.) - £'000		£100	£83	£17
Write-offs in year - (April to Jan.) - number		31	40	-9
Write-offs all years (April to Jan.) - £'000		£428	£364	£64
Write-offs all years - (April to Jan.) - number		209	166	43
Creditors - payment of invoices within 30 days of receipt	98.5%	99.2%	99.2%	0.7%

Debtors - Balance Outstanding	31-Mar-13	31-Mar-14	30-Nov-14	31-Jan-15	Variance Nov. to Jan.
	£'000	£'000	£'000	£'000	%
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	17	239	183	343	87.4
Capital Projects - currently - development site, east of High Street, Halstead	3	4	8	11	37.5
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	9	24	82	23	-72.0
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	5	156	7	11	57.1
Development	23	24	63	50	-20.6
Finance	411	360	345	266	-22.9
Leisure	261	258	240	143	-40.4
Operations	785	484	452	274	-39.4
Housing	89	113	92	93	1.1
Sub-Total - excluding Hsg. Benefits	1,603	1,662	1,472	1,214	-17.5
Housing Benefits	851	1,188	1,395	1,477	5.9
Total	2,454	2,850	2,867	2,691	-6.1
Target for 2014/15 is for Debt Outstanding (excluding Housing Benefits, Museum Trust debt, charging orders and large value invoices raised in final days of March 2015) to be £0.575million by 31 March 2015.				636	
Profile by Recovery Stage:					
Invoice	1,526	1,238	1,117	857	
Reminder	210	291	350	292	
Final Notice	164	348	167	268	
Pre-legal	105	453	462	423	
Enforcement Agent	403	446	521	611	
Tracing Agent	4	33	14	14	
Charging Order	42	41	39	36	
Attachment to Benefits			197	190	
Total	2,454	2,850	2,867	2,691	
Write-offs in month - value - £'000	£0.2	-£0.3	£0.2	£6.6	
Write-offs in month - number	7	19	5	308	
Write offs in year - value - £000	£43	£8.3	£16.4	£26.2	
Write-offs in year - number	533	386	117	457	

**Progress on achieving Efficiency Savings Targets**

The amount of the Efficiency Savings target included in the budget for 2014/15 is a net amount of £324,630. The overspend on salaries of £96,000, recorded above, is after offsetting £281,650 of the target.



**INVESTMENT PORTFOLIO AS AT 31st JANUARY 2015**
**APPENDIX B**

	£m	% rate	Type	Placed	Maturity	Maturity Profile £m				
						Liquid	Feb-15	Mar-15	Apr-15	Longer
<b>UK Banks</b>	<b>12.30</b>									
<b>Santander Group</b>										
Santander UK PLC	2.00	0.40%	Instant	Variable	Instant	2.00				
<b>Lloyds TSB Group</b>										
Lloyds Current Account	1.30	0.40%	Instant	Variable	Instant	1.30				
Bank of Scotland PLC	1.00	0.57%	Fixed	17-Oct-14	2-Feb-15		1.00			
Bank of Scotland PLC	1.50	0.65%	Fixed	3-Sep-14	2-Feb-15		1.50			
Bank of Scotland PLC	1.00	0.70%	Fixed	3-Sep-14	4-Mar-15			1.00		
Bank of Scotland PLC	1.50	0.95%	Fixed	15-Apr-14	14-Apr-15				1.50	
<b>Barclays Bank PLC</b>										
Barclays Bank PLC	1.50	0.815%	Fixed	1-Apr-14	4-Mar-15			1.50		
Barclays Bank PLC	2.50	0.848%	Fixed	3-Mar-14	2-Mar-15			2.50		
<b>UK Building Societies</b>	<b>5.00</b>									
<b>Nationwide Building Society</b>										
Nationwide Building Society	2.50	0.77%	Fixed	20-Jun-14	19-Mar-15			2.50		
Nationwide Building Society	2.50	0.81%	Fixed	20-Mar-14	19-Mar-15			2.50		
<b>Other Local Authorities</b>	<b>0.00</b>									
<b>UK Debt Management Office</b>	<b>0.00</b>									
UK Debt Management Office	0.00	0.00%	Fixed	-	-					
<b>Non UK Institutions</b>	<b>0.00</b>									
<b>Australia &amp; New Zealand Banking Corp</b>										
<b>Money Market Funds</b>	<b>5.50</b>									
<b>Goldman Sachs</b>	2.50	Variable	Instant	16-Nov-09	Instant	2.50				
<b>Deutsche Sterling</b>	0.00	Variable	Instant	4-Aug-10	Instant	0.00				
<b>Ignis Liquidity</b>	3.00	Variable	Instant	4-Aug-10	Instant	3.00				
<b>Pooled Funds</b>	<b>10.00</b>									
<b>CCLA Property Fund</b>	2.00	Variable	Lterm	30-Oct-14	Lterm					2.00
<b>Threadneedle UK Equity</b>	3.00	Variable	Lterm	3-Nov-14	Lterm					3.00
<b>M &amp; G Global Dividend</b>	2.50	Variable	Lterm	3-Nov-14	Lterm					2.50
<b>Schroders Income Maximiser</b>	2.50	Variable	Lterm	3-Nov-14	Lterm					2.50
	<b>32.80</b>					<b>8.80</b>	<b>2.50</b>	<b>10.00</b>	<b>1.50</b>	<b>10.00</b>

Internal Audit – Activity Report for the period to 6 <sup>th</sup> March 2015		Agenda No 6:
Corporate Priority:	An organisation that delivers value	
Report presented by:	Lesley Day, Audit Insurance & Fraud Manager	
Report prepared by:	Lesley Day, Audit Insurance & Fraud Manager	
Background Papers:	Public Report	
Internal Audit Assignments		
Options:	Key Decision:	
N/a	No	
Executive Summary:		
<p>To provide Members with details of and outcomes from the audit assignments completed during the period 13<sup>th</sup> December 2014 to 6<sup>th</sup> March 2015. This includes for each assignment:</p> <ul style="list-style-type: none"><li>the key controls covered</li><li>number of recommended action points and their priority</li><li>audit opinion</li><li>brief details of the high priority recommendations (if applicable)</li></ul> <p>An update on the Reportable recommendations is also attached.</p>		
Decision:		
<p>To accept the activity report for the period 13<sup>th</sup> December 2014 to 6<sup>th</sup> March 2015</p>		
Purpose of Decision:		
<p>To advise Members of the audit assignments completed for the period 13<sup>th</sup> December 2014 to 6<sup>th</sup> March 2015</p>		

**Any Corporate implications in relation to the following should be explained in detail**

<b>Financial:</b>	N/a
<b>Legal:</b>	N/a
<b>Equalities/Diversity</b>	N/a
<b>Customer Impact:</b>	N/a
<b>Environment and Climate Change:</b>	N/a
<b>Consultation/Community Engagement:</b>	N/a
<b>Risks:</b>	N/a
<b>Officer Contact:</b>	Lesley Day
<b>Designation:</b>	Audit, Insurance & Fraud Manager
<b>Ext. No.</b>	2821
<b>E-mail:</b>	lesley.day@braintree.gov.uk

**INTERNAL AUDIT**  
**COMPLETED ASSIGNMENTS to 6<sup>th</sup> March 2015**

Type	Topic	Days Taken	Recommendations			Key Controls Covered	High Priority recommendations	Agreed Implementation date	Audit Opinion
			L	M	H				
Core system	Housing Benefits	8		1		<ol style="list-style-type: none"> <li>1. All benefits claims are captured and recorded in the system for processing.</li> <li>2. Benefit awarded is supported by a valid claim.</li> <li>3. Benefit awarded is correctly calculated.</li> <li>4. Payments are made only in respect of awarded benefits.</li> <li>5. Expenditure and payments are properly recorded.</li> <li>6. Overpaid benefit is properly recorded.</li> <li>7. There is adequate segregation in the assessment and payment process.</li> <li>8. Fraud &amp; Corruption checklist.</li> <li>9. Information security management.</li> <li>10. Operational Risk Register reviewed</li> </ol>			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan.
Core system	Creditors	8		1		<ol style="list-style-type: none"> <li>1. Only authorised staff may commit the organisation to expenditure.</li> <li>2. Invoices are processed only when the goods or services have been received and at the correct amount.</li> <li>3. All expenditure incurred is accurately and completely recorded.</li> <li>4. Payments are made only in respect of approved invoices and for the correct amounts.</li> <li>5. There is adequate segregation in the ordering, receiving and payment functions.</li> <li>6. Fraud &amp; Corruption checklist</li> <li>7. Information Security</li> </ol>			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan.

				Management. 8. Operational Risk Register reviewed						
Core system	Sundry Debtors	12.5	<table><tr><td></td><td>1</td><td>4</td></tr></table>		1	4	<div>1. All chargeable services provided and goods dispatched are identified and billed at the correct amounts.</div> <div>2. All income due is invoiced and correctly recorded.</div> <div>3. Credit control and debt recovery processes are adequate.</div> <div>4. Credit notes and refunds are valid and properly authorised.</div> <div>5. Write-off of uncollectable debt is properly authorised.</div> <div>6. There is adequate segregation in the invoicing and receipting functions.</div> <div>7. Fraud &amp; Corruption checklist.</div> <div>8. Information Security Management.</div> <div>9. Operational Risk Register reviewed</div>	<div>1. Undertake a reconciliation of invoices raised to schedules received for all requests submitted in this format.</div> <div>2. Only process credit notes on receipt of a correctly authorised credit note request form.</div> <div>3. Ensure refund proformas are approved within signatory limits</div> <div>4. Do not process the writing off of a debt prior to receipt of an approved form.</div>	April 2015	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
	1	4								
Core system	Payroll	9	<table><tr><td></td><td></td><td>5</td></tr></table>			5	<div>1. All employees on the payroll are valid and are employed on the organisation.</div> <div>2. Payments are made only for hours worked or allowable expenses.</div> <div>3. Payroll costs and statutory or material voluntary deductions are properly calculated and in accordance with approved pay rates or staff contracts.</div> <div>4. Payments to staff and other collecting bodies are correct.</div> <div>5. Payroll costs are properly accounted for in the main accounting system.</div> <div>6. Overpayment of salary is recovered.</div> <div>7. Segregation of duties is in place.</div> <div>8. Upgrades to PAYE tax tables and grade pay rate updates are properly controlled.</div> <div>9. Information Security</div>	<div>1. Ensure a fully completed and authorised Resourcelink form is received in respect of all starters &amp; leavers. Action should not be taken without these.</div> <div>2. Overtime claim forms should not be authorised unless they have been signed by the claimant.</div> <div>3. Ensure a fully completed and authorised Resourcelink form is received in respect of all changes to pay rates or contracted hours. Action should not be taken without these.</div> <div>4. Authorised Recruitment Forms should be received for all new posts, whether approved under restructuring or not.</div> <div>5. Maintain comprehensive electronic personal files, indexed in a date format as previously agreed with Payroll.</div>	June 2015	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
		5								

				Management 10. Fraud & Corruption checklist 11. Operational Risk Register reviewed						
Core system	NNDR	10	<table><tr><td></td><td></td><td>2</td></tr></table>			2	1. The NNDR billing list is accurate and amendments are up to date. 2. Relief and allowances claimed by ratepayers are valid. 3. Annual billing and amendments are properly calculated. 4. Credit control and arrears recovery processes are adequate. 5. Refunds of overpayments are valid and properly authorised. 6. Write off of debt is properly authorised. 7. Amounts due are properly recorded. 8. There is adequate segregation in the NNDR billing and cash receipting functions. 9. Fraud & Corruption checklist 10. Information security management 11. Operational Risk Register reviewed	1. Clarify position in regard to withdrawing discretionary reliefs granted dependent on circumstances 2. Ensure write offs are approved within delegated limits prior to processing.	April 2015	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
		2								
Corporate	Civil Emergencies	2.5	0	1. Commitment and implementation of an Emergency Plan 2. Business impact analysis 3. Monitoring, maintaining and reviewing the Emergency Plan.			We are satisfied that reliance can be placed on the key controls as described.			
Income Stream Reviews	Recycling Credits	1.5	0	Recycling credits income is claimed promptly and correctly			We are satisfied that reliance can be placed on the key controls as described.			

Operational	Cash Check	1	0	<ol style="list-style-type: none"> <li>1. Total of monies held in the till agreed to the cash receipting system total</li> <li>2. Floats held by the cashiers agreed to the float records</li> <li>3. Floats are held securely with restricted access</li> </ol>			We are satisfied that reliance can be placed on the key controls as described.
Income Stream Reviews	Planning Income	2	0	Planning applications income is received in full and reconciled			We are satisfied that reliance can be placed on the key controls as described.
Non-core systems	Planning – Tree Planting Grants	2	0	<ol style="list-style-type: none"> <li>1. Application forms are completed in full</li> <li>2. All grants paid are on receipt of official invoices where applicable</li> <li>3. Inspections made to ensure that the approved work has been completed</li> <li>4. Payments made are approved by an authorised signatory</li> </ol>			We are satisfied that reliance can be placed on the key controls as described.
Corporate	Member Council Tax Balances	1	0	<ol style="list-style-type: none"> <li>1. Review of councillors council tax accounts to ensure that all accounts are up to date prior to the budget setting of the Council Tax for 2015/16</li> <li>2. Where benefit is being claimed that councillors allowances are declared in relation to the claim</li> </ol>			All Members entitled to vote on Council tax Resolution 2015/2016
Non-core systems	Homelessness Expenses	0	0	<ol style="list-style-type: none"> <li>1. Review of expenditure regarding the homelessness service</li> <li>2. All expenditure is approved by an authorised signatory</li> <li>3. Operational Risk Register reviewed</li> </ol>			We are satisfied that reliance can be placed on the key controls as described.
Non-core systems	Home Ownership Initiatives	4	0	<ol style="list-style-type: none"> <li>1. The Rent Bond Scheme is administered correctly and adequate supporting documentation exists including: <ul style="list-style-type: none"> <li>• Bond issue</li> <li>• Bond claim</li> </ul> </li> <li>2. The Rent Deposit Loan scheme</li> </ol>			We are satisfied that reliance can be placed on the key controls as described.

				<div>is administered correctly and adequate supporting documentation exists including:<ul style="list-style-type: none"><li>Granting of loan</li><li>Repayment/recovery of loan</li></ul></div> <div>3. Operational Risk Register reviewed</div>						
Non-core systems	Parking Partnership	5	<table><tr><td></td><td>1</td><td></td></tr></table>		1		<div>1. Completeness of cash banked by Colchester BC and G4S</div> <div>2. Completeness of records – tickets by tariff, meter readings etc.</div> <div>3. Reconciliation of off street parking income (PCN's)</div> <div>4. Reconciliation of season ticket income</div> <div>5. Reconciliation of Mi-Permit income</div> <div>6. Income received is allocated to the correct income code</div> <div>7. Operational Risk Register reviewed</div>			We are satisfied that reliance can be placed on the key controls as described.
	1									
Non-core systems	Members Allowances	10	<table><tr><td></td><td>1</td><td></td></tr></table>		1		<div>1. To ensure members mileage claims, train travel and broadband allowances are correct</div> <div>2. Claim forms are signed by the councillor and approved by a member of the Governance section</div> <div>3. Claims are paid correctly by the Payroll section</div>			We are satisfied that reliance can be placed on the key controls as described.
	1									

H=High

A significant weakness which if not addressed, has the potential to undermine the financial and operational management due to risk of serious error, irregularity or inefficiency

M=Medium

Where improvements in control are needed to further reduce the risk of undetected errors or irregularities occurring

L=Low

To strengthen the overall control environment by building upon existing controls in place or to improve to comply with best practice guidance



## Reportable Recommendations - Update

Area of review	Reported recommendations	Due Date	Status
Council Tax	Put in place a process for approval of refunds back to cards by an authorised signatory – print off weekly list for signature in place of electronic instruction	December 2014	Implemented

There we no RIPA applications submitted for this period.

Internal Audit Plan 2015/2016		Agenda No: 7
Corporate Priority:	An organisation that delivers value	
Report presented by:	Lesley Day, Audit Insurance & Fraud Manager	
Report prepared by:	Lesley Day, Audit Insurance & Fraud Manager	
Background Papers:	Public Report	
Internal Audit Assignments		
Options:	Key Decision:	
N/a	No	
Executive Summary:		
The Strategic Audit Plan for 2015/2019 has been produced and this report is to advise Members of the proposed Internal Audit Plan for 2015/2016.		
A copy of the plan for 2015/2016 is attached as Appendix A.		
Decision:		
That Members endorse the Internal Audit Plan 2015/2016 as detailed in Appendix A.		
Purpose of Decision:		
To request Members to endorse the Internal Audit Plan for 2015/2016 to comply with the Public Sector Internal Audit Standards.		

**Any Corporate implications in relation to the following should be explained in detail**

<b>Financial:</b>	The staffing costs required to deliver the Audit Plan will be covered by the approved budget for 2015/16
<b>Legal:</b>	The Council is required by law to maintain an effective Internal Audit function
<b>Safeguarding:</b>	None
<b>Equalities/Diversity:</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	Non-endorsement of the Audit Plan may lead to inadequate assurance of the internal control environment
<b>Officer Contact:</b>	Lesley Day
<b>Designation:</b>	Audit Insurance & Fraud Manager
<b>Ext. No.</b>	2821
<b>E-mail:</b>	lesley.day@braintree.gov.uk

## RISK ANALYSIS

The risk analysis that is applied to all audit subjects has been assessed and updated accordingly.

The Council's core financial systems are subject to a system audit every year using CIPFA matrices, internal key controls and the Audit Commission Fraud and Corruption checklist.

Non-core systems and Operational topics are based on a four year programme. Corporate topics are as and when required.

When assessing the risk, the following are also taken into account:

- The Strategic and Operational Risk Register
- Major changes to systems/processes
- Standard of internal control
- Known or perceived difficulties regarding software or service area
- Weighting factor if necessary

The risk analysis calculation remains, as in previous years, as follows:

<b>Risk</b>	<b>Score</b>	<b>Value</b>	<b>Score</b>
Low	3	Low	3
Medium	5	Medium	5
High	7	High	7

The combined scores are then used to determine the number of audit reviews over the four year period as follows:

<b>Total score</b>	<b>Frequency</b>
6 and 8	One year in four
10	Two years in four
12	Three years in four
14	Each year

## INTERNAL AUDIT SECTION

### PROJECTED TIME AVAILABILITY 2015/2016

	<b>Audit Manager</b>	<b>Auditor</b>	<b>Auditor</b>	<b>TOTAL</b>
Net time available	250	250	250	750
less: sickness cont.	2	2	2	6
	248	248	248	744
less: a/leave & stat days	32	32	32	96
less: a/leave b/fwd	0	2	3	5
Training/courses	3	3	3	9
	<b>213</b>	<b>211</b>	<b>210</b>	<b>634</b>
less Social Club	0	0	3	3
<b>Non-chargeable</b>	<b>213</b>	<b>211</b>	<b>207</b>	<b>631</b>
Corporate Groups/functions	35			35
Section/service management	30	5		35
Admin/general	5	10	10	25
Specials contingency	20	5	5	30
Un-allocatable		5	5	10
Risk Management	15			15
Business Continuity	10			10
Insurance	25			25
Corporate Quality & Compliance				
Reviews	5	5		10
Housing Benefit Fraud	40			40
Cashiers/Mail Room	10			10
<b>Net projected time availability for year</b>	<b>18</b>	<b>181</b>	<b>187</b>	<b>386</b>

**Braintree District Council**  
**Internal Audit Section**

**AUDIT PLAN**  
**2015/2016**

	Planned Days
<b>CORE SYSTEMS</b>	
Cash & Bank	8
Council Tax	10
Creditors	10
Debtors	10
Housing Benefits	10
Main Accounting	8
Payroll	8
NNDR:	8
Treasury Management	2
<b>NON-CORE SYSTEMS</b>	
Abandoned Vehicles	2
Advertising	5
Allotments	2
Car Allowances	4
Concessionary Transport	2
Consultants (appointment of)	5
Contracts - invitation to tender	2
Contracts - receipt, opening of tenders acceptance	2
Contracts - Monitoring & records	2
Contracts - administration & document security	2
Contracts - documentation	2
Development Control	10
Electoral Registration	2
Energy & Utilities	4
Fleet Management	5
Homelessness	3
House Renovation Grants & DFG's	12
Insurance	12
Members Allowances	5
Parking Partnership	3
Pest Control	5
Petty Cash	3
Plant & Tools	5
Post Opening procedures	5
Procurement inc Hub	10
Town Hall Centre	5
Travelling & Subsistence	3
VAT	5
<b>CORPORATE</b>	
Performance Indicators & Data Quality	15
Contracts - final accounts	2
Financial Appraisals - Procurement Hub	5

Financial Consultancy	15
Floats and Imprests	1
Fraud, Corruption, Probity & Governance:	30
Whistleblowing Policy	
Fraud, Corruption & Dishonesty Policy	
Prosecution Policy	
Regulation of Investigatory Powers Act	
National Fraud Initiative	
Members/officers declarations of interests	
Gifts and Hospitality	
Authorised Signatories	
Money Laundering	
ICT covering:	30
New initiatives	
New systems	
Systems security & access	
Information Security	2
Partnership arrangements	5
Sustainability	15
FOI requests/Complaints	5
Project Governance	5
<b>OPERATIONAL</b>	
Buildings	3
Cash Checks	1
Inventories	3
Markets	2
Security	As required
Telephones inc mobiles	10
Refreshments	2
Allowance for new topics	34
<b>Total time allocated (days)</b>	
	<b>386</b>

<b>External Audit Plan 2014/2015</b>		<b>Agenda No: 8</b>
<b>Corporate Priority:</b> An organisation that delivers value <b>Report presented by:</b> BDO, External Auditor <b>Report prepared by:</b> BDO, External Auditor		
<b>Background Papers:</b>  <b>BDO Audit Plan 2014/15</b>		<b>Public Report</b>
<b>Options:</b> N/a		<b>Key Decision:</b> NO
<b>Executive Summary:</b>  The external Audit Plan summarises the work that BDO (external auditors) propose to undertake in respect of the audit of Braintree District Council for the 2014/2015 financial period.  The external audit is designed to respond to significant risks and identify where resources will be focused in order to provide the opinion on the financial statements and the value for money conclusion.  The scope of the audit will cover: <ul style="list-style-type: none"> <li>• Purpose of the audit plan</li> <li>• Respective responsibilities</li> <li>• Code audit</li> <li>• Financial Statements - Materiality and triviality, misstatements due to fraud</li> <li>• Use of resources</li> <li>• Whole of Government Accounts</li> <li>• Certification of grant claims and returns</li> </ul>		



<b>Decision</b>
<b>To note the External Audit Plan for 2014/2015</b>
<b>Purpose of Decision:</b>
<b>That Members are aware of the coverage of the External Audit Plan for 2014/2015</b>

<b>Any Corporate implications in relation to the following should be explained in detail</b>	
<b>Financial:</b>	The estimated costs of the 2014/15 audit and grant certification work will be met from the approved budget allocation in 2014/15.
<b>Legal:</b>	N/a
<b>Safeguarding</b>	N/a
<b>Equalities/Diversity</b>	N/a
<b>Customer Impact:</b>	N/a
<b>Environment and Climate Change:</b>	N/a
<b>Consultation/Community Engagement:</b>	N/a
<b>Risks:</b>	N/a
<b>Officer Contact:</b>	Lesley Day
<b>Designation:</b>	Audit, Insurance and Fraud Manager
<b>Ext. No.</b>	2821
<b>E-mail:</b>	lesley.day@braintree.gov.uk



# BRAINTREE DISTRICT COUNCIL

AUDIT PLAN TO THE GOVERNANCE COMMITTEE

Audit for the year ending 31 March 2015  
March 2015

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# EXECUTIVE SUMMARY

We are pleased to present our Audit Plan for the year ending 31 March 2015. This plan summarises the work that we propose to undertake in respect of our audit of Braintree District Council for the 2014/15 financial year.

## Significant Risks

Our audit is designed to respond to significant risks and identify where we intend to focus our resources in providing our opinion on the financial statements and our value for money conclusion. Summarised below are the significant risks that impact on our audit of which we are currently aware:

FINANCIAL STATEMENTS	SUMMARY OF SIGNIFICANT RISKS
Management override	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk including by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.
Revenue recognition	Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the stated accounting policies or from an inappropriate use of estimates in calculating revenue. We consider that this risk is significant in respect of debtor accruals and the application of accounting policies in determining the point of recognition of income.

USE OF RESOURCES	SUMMARY OF SIGNIFICANT RISKS
Use of Resources	Government continues to reduce funding for local government, and combined with additional pressures arising from demographic and other service delivery changes, this will have a significant impact on the financial resilience of the Council in the medium term. There is a risk that the Council's medium term financial strategy will not be sufficiently robust to support its future financial resilience.

## Fees

The proposed audit fee for the year is £79,674 plus VAT, which agrees to the scale fee published by the Audit Commission. This is an increase of £900 compared to the fee reported to the Governance Committee in our Fee Letter for 2014/15. This supplementary fee is to enable us to undertake audit procedures on material business rates balances and disclosures within the financial statements. We previously placed reliance on the certification work on national non-domestic rates to gain the required assurance, however the Department of Communities and Local Government (DCLG) has removed this certification requirement.

The proposed fee for the certification of claims and returns is £18,370 plus VAT, which agrees to the composite scale fee published by the Audit Commission. This is the same as the certification fee reported in our Planning Letter for 2014/15.

## Key outputs

The key reports, opinions and conclusions from the audit will be:

REPORT	DATE
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	June 2015
Final report to the Governance Committee	September 2015
Independent auditor's report including: <ul style="list-style-type: none"><li>• Opinion on the financial statements</li><li>• Value for money conclusion</li><li>• Certificate</li></ul>	By 30 September 2015
Assurance statement on the Whole of Government Accounts return	By 7 October 2015
Summary of findings from the audit in the Annual Audit Letter	By 30 October 2015
Report on the results of our grant claims and returns certification work	January 2016

# SCOPE OF THE AUDIT

## Purpose of the audit plan

The purpose of this audit plan is to:

- Ensure that there is mutual understanding of the respective responsibilities relating to the audit
- Provide you with an overview of the planned scope of the audit for the year ending 31 March 2015
- Ensure that the areas of potential significant risk of material misstatement which we have identified are consistent with the areas which you perceive to be the key areas and to promote effective two-way communication between us.

We will also provide a report to management and those charged with governance on the findings of the audit which will focus on the significant matters arising from the audit of the Council regarding internal control, financial governance and reporting and accounting arrangements. We aim to provide management with clear recommendations that will add value to the Council.

## Code audit

The scope of the audit is determined by the Audit Commission's Code of Audit Practice for Local Government (2010) (the 'Code'), which covers two areas: providing an opinion on the financial statements, and reviewing the arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money conclusion).

## Respective responsibilities

Our responsibilities, as auditors, in relation to the audit of the financial statements and other Audit Commission requirements are set out below. The audit of the financial statements does not relieve you of your responsibilities which are outlined in the Statement of Responsibilities of Auditors and Audited Bodies (2010) available from the Audit Commission's website.

Auditing Standards require auditors to communicate relevant matters relating to the audit to those charged with governance. Relevant matters include issues on auditor independence, audit planning information and findings from the audit.

We will communicate matters of governance interest that have come to our attention as a result of the performance of the audit. Communication may take the form of

discussions or, where appropriate, be in writing. The audit is not designed to identify all matters that may be relevant to you.

Our contacts for communications will be the Chief Finance Officer and the Governance Committee. When communicating with the Governance Committee we will consider all individuals representing those charged with governance as informed and our responsibilities for communicating relevant matters will be discharged.

## Financial statements

At the conclusion of the financial statements audit we give our opinion on the financial statements, including whether:

- They give a true and fair view of the financial position at the year end and the expenditure and income for the year
- They have been prepared properly in accordance with relevant legislation and applicable accounting standards.

We also provide an opinion on whether the information given in the Explanatory Foreword is consistent with the financial statements.

We report by exception if we are unable to satisfy ourselves that the Annual Governance Statement is not inconsistent with our knowledge.

As part of our audit we obtain an understanding of the Council's system of internal control sufficient to plan the audit. We assess the adequacy of the design of specific controls that respond to significant risks of material misstatement and evaluate whether those controls have been implemented. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

In order to achieve an efficient and cost effective audit, we aim to work closely with Internal Audit to minimise duplication and the overall level of audit resource input.

We have planned the audit on the basis that we will be able to place full reliance on the work of Internal Audit where they intend to provide assurance over key controls within the financial systems.

We will communicate to management any deficiencies in internal control identified during the audit. Where those deficiencies are significant, we will also communicate to those charged with governance.

## Misstatements due to fraud

The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect fraud and corrupt practices lies with management and the Governance Committee.

We have a responsibility to consider specifically the potential risk of material misstatement of your financial statements as a result of fraud and error, including the risk of fraudulent financial reporting. We have discussed possible risk of material misstatement arising from fraud with the following individuals:

- Trevor Wilson – Head of Finance
- Lesley Day – Head of Internal Audit

We will seek confirmation of how the Governance Committee oversees management processes to identify and respond to the risk of fraud, and whether there is knowledge of any actual, suspected or alleged frauds affecting the Council other than those reported by management, at the Governance Committee on 25 March 2015

Please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

For all fraud risks, and for any actual frauds that have been identified and we have been informed of, we will consider the possible impact on your financial statements and our audit programme.

## Materiality and triviality

Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. In carrying out our work we will apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all potential or actual misstatements.

For planning purposes, we have set materiality at £1.5million (2% of the 2013/14 average gross expenditure in the Comprehensive Income and Expenditure Statement excluding non-recurrent expenditure).

For reporting purposes, we consider misstatements of less than £30,000 to be trivial, unless the misstatement is indicative of fraud. We are required to bring to your attention unadjusted audit differences that are more than trivial, which the Governance Committee are required to consider, and we will request that you correct them.

## Use of resources

The Code requires auditors to issue a conclusion on whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

This is based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience; the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness; the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We will plan a programme of use of resources audit work based upon our risk assessment.

## Whole of Government Accounts

Local authorities are required to prepare information to allow HM Treasury to prepare consolidated Whole of Government Accounts (WGA) based on the statutory financial statements.

The WGA return is audited in accordance with Audit Commission specified procedures. We provide an assurance report to the National Audit Office to confirm that the WGA return is consistent with the audited financial statements and that it is properly prepared.

## Certification of grant claims and returns

As an agent of the Audit Commission we will undertake a review of grant claims and returns in accordance with the certification instruction issued by the Audit Commission. We express a conclusion as to whether the claim or return: is in accordance with the underlying records (claims and returns above the minimum level and below the threshold); or is fairly stated and in accordance with the relevant terms and conditions (claims and returns over the threshold).

## Engagement partner

Lisa Clampin is the engagement partner and is the person in the firm who is responsible for the audit engagement and its performance and for the report that will be issued on behalf of the firm.

We aim to provide a high quality of service to you at all times. If, for any reason or at any time, you would like to discuss how we might improve the service, or if you are in any way dissatisfied, please contact Lisa Clampin in the first instance. Alternatively you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly.

If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors", which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>

## Local Audit and Accountability Act 2014

The Act received Royal Assent on 30 January 2014. The Act makes it possible for the Audit Commission to close, in line with Government expectations, on 31 March 2015.

There will be a new framework for local public audit, due to start after the Audit Commission's current contracts with audit suppliers end in 2016/17, or potentially in 2019/20 if all the contracts are extended. A transitional body will oversee the contracts in the intervening period. The transitional body is the Public Sector Audit Appointments Limited and is an independent, private company created by the Local Government Association.

Several of the Audit Commission's functions will continue after its closure. The Local Audit and Accountability Act gave the Comptroller and Auditor General a duty to prepare and issue Codes of Audit Practice and guidance to auditors; and a power to carry out examinations into the economy, efficiency and effectiveness with which relevant authorities have used their resources.

The Act also provides for the Audit Commission's data matching powers, and therefore the National Fraud Initiative, to transfer to the Cabinet Office. The government has announced that the Commission's counter-fraud function will transfer to a new public sector 'Counter Fraud Centre' to be established by the Chartered Institute of Public Finance and Accountancy.

## Independence and objectivity

We are required to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff.

In relation to the audit of the financial statements for Braintree District Council for the financial year ending 31 March 2015, we are able to confirm that the Audit Commission's requirements in relation to independence and objectivity have been complied with and we are not aware of any relationships that would affect our independence. Should this change we will update you accordingly.



# RISK ASSESSMENT

We are committed to targeting work to where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. The determination of significant risks is a matter for auditors' professional judgement.

For each of the significant risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly.

If you consider there to be other significant risks of material misstatement in the financial statements or, arrangements for securing economy, efficiency and effectiveness in the use of resources, whether due to fraud or error, please let us know.

Summarised below are the significant audit risks that impact on our audit of which we are currently aware.

FINANCIAL STATEMENTS SIGNIFICANT AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
MANAGEMENT OVERRIDE	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.	Financial statement level risk across all account headings and assertions.	We will carry out audit procedures to review significant journals and other adjustments in preparing the financial statements, review the reasonableness of assumptions used by management when including accounting estimates, and obtain an understanding of unusual transactions.
REVENUE RECOGNITION	Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the stated accounting policies or from an inappropriate use of estimates in calculating revenue. We consider that this risk is significant in respect of debtor accruals and the application of accounting policies in determining the point of recognition of income.	Existence, completeness and accuracy of income	We will lower the materiality level set when testing a sample of debtor accruals and the estimates used in calculating these.  We will also ensure that accounting policies have been correctly applied in determining the point of recognition of income.

USE OF RESOURCES SIGNIFICANT RISKS		
RISK	RISK DETAIL	AUDIT RESPONSE
FINANCIAL RESILIENCE	Central government continues to reduce funding for local government, and combined with additional pressures arising from demographic and other changes, will have a significant impact on the financial resilience of the Council in the medium term. There is a risk that the Council's medium term financial strategy will not be sufficiently robust to support its future financial resilience.	<p>Our local risk based work will focus on the robustness of the Council's Medium Term Financial Strategy (MTFS) by performing the following:</p> <ul style="list-style-type: none"> <li>• Assess the reasonableness of the assumptions used in the MTFS</li> <li>• Consider the completeness of the risks reported by the Council in achieving their budget.</li> </ul>

# AUDIT TIMETABLE

The timetable for key reports, opinions and conclusions from the audit will be:

OUTPUT	DATES
<b>FINANCIAL STATEMENTS</b>	
Review of internal controls	March - April 2015
Final audit visit	July - August 2015
Audit report covering: <ul style="list-style-type: none"> <li>• 'True and fair' opinion on the financial statements</li> <li>• Information in the Statement of Accounts being consistent with auditor's knowledge</li> <li>• Annual governance statement is prepared in accordance with guidance and not inconsistent with auditor's knowledge</li> </ul>	Clearance meeting to be held late August 2015  By 30 September 2015
Opinion on the Whole of Government Accounts return.	By 7 October 2015
<b>USE OF RESOURCES</b>	
Review of economy, efficiency and effectiveness	January - April 2015
Value for money conclusion	By 30 September 2015
<b>GRANTS</b>	
Audit of grant claims and returns	August to November 2015
<b>REPORTING</b>	
Report on any significant deficiencies in control (if required)	June 2015
Final report to the Governance Committee	September 2015
Annual Audit Letter	October 2015

We will agree specific dates for our visits with officers in advance of each part of our programme, and we will work closely with officers during the year to ensure that all key deadlines are met. We will also meet regularly with senior officers to discuss progress on the audit and obtain an update on relevant issues.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Grant Claims and Returns Certification year ended 31 <sup>st</sup> March 2014		Agenda No: 9
Corporate Priority:	Providing value for money	
Report presented by:	Lesley Day, Audit Insurance & Risk Manager	
Report prepared by:	Lesley Day, Audit Insurance & Risk Manager	
Background Papers:	Public Report	
External Auditors Report		
Options: N/a	Key Decision: No	
<b>Executive Summary:</b>		
<p>The attached report summarises the main issues arising from the grant claims and returns certification for the financial year ended 31<sup>st</sup> March 2014 in respect of Housing Benefit subsidy. It includes key findings, the status of the 2012/2013 recommendations together with the 2013.2014 action plan</p> <p>The report has been previously circulated to Members of this Committee on 14<sup>th</sup> January 2015 as it is a requirement of the Audit Commission that Those Charged with Governance see this report before the end of February 2015.</p>		
<b>Decision:</b>		
<p>To formally receive the Grant Claims and Returns Certification year ended 31<sup>st</sup> March 2014</p>		
<b>Purpose of Decision:</b>		
<p>For Members to receive the Grant Claims and Returns Certification year ended 31<sup>st</sup> March 2014</p>		

**Any Corporate implications in relation to the following should be explained in detail**

<b>Financial:</b>	None
<b>Legal:</b>	None
<b>Equalities/Diversity</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	None
<b>Officer Contact:</b>	Lesley Day
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# BRAINTREE DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2014



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# INTRODUCTION

## THE PURPOSE OF THIS REPORT

This report summarises the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2014.

We undertake grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions (CI) issued by them after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

After completion of the tests contained within the CI the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified with the reasons for qualification set out in a letter to the grant paying body. Sample sizes used in the work on the housing and council tax benefit subsidy return and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

A summary of the fees charged for certification work for the year ended 31 March 2014 is shown to the right.

Appendix I of this report (page 5) shows the Council's progress against the action plan included in our 2012/13 Grant Claims and Returns Certification report (presented to the Audit Committee on 13 January 2014).

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the course of our certification work.

FEES	PLANNED SCALE FEE (£)	OUTTURN FEE (£)
Housing benefit subsidy	18,304	18,304
<b>TOTAL FEES</b>	<b>18,304</b>	<b>18,304</b>

# KEY FINDINGS

## Summary of high level findings

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	43,831,790	Yes	Yes	(180)

## Detailed Findings

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2014. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan in respect of these matters is included at Appendix II of this report on page 6.

Housing benefit subsidy	Findings and impact on return
<p>Local authorities responsible for managing housing benefit schemes are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A (the subsidy claim), which is subject to certification.</p> <p>Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on the subsidy claim. The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions (DWP). We have no discretion over how this methodology is applied.</p> <p>Guidance requires auditors to undertake extended 40+ testing if initial testing identifies errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported. This additional testing, combined with the original testing where there has been an overpayment of benefit is extrapolated (or extended) across the population. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim for example where the error always results in an underpayment of benefit, we are required to report this within our qualification letter.</p>	<p>We identified a small number of errors in our initial sample testing. This resulted in 1 area of 40+ testing and 2 amendments to the claim form. The details are as follows:</p> <ul style="list-style-type: none"><li>• Incorrect child and working tax credit information used in the benefit calculation for rent allowance cases. 40+ testing was undertaken to quantify the results and an extrapolation was included within the Qualification Letter. It is recognised that the Council has worked hard to implement the recommendations raised in this area in previous years and detailed training has been provided to all staff processing benefit calculations. The level of errors has improved significantly, with the errors found being mainly in the period up to November 2013 before the training was provided to staff. Only one small error was identified in the period after the training was provided.</li></ul> <p>If DWP decide to adjust for the extrapolated error reported, this would have an impact on subsidy of (£13,437).</p> <ul style="list-style-type: none"><li>• Expenditure for some non-HRA cases were misclassified on the subsidy claim form. This is a known issue with the system and relates to certain property types that were classified as rent rebate properties in previous years. The cases in question were reviewed and the claim form was amended for the misclassification.</li><li>• An error was identified with a modified scheme case whereby an overpayment had been incorrectly off-set against expenditure for the claimant. This is a known system issue that was reported by Civica to the Council in November 2014. All modified scheme cases where an over or under payment had occurred were</li></ul>

## Housing benefit subsidy

### Findings and impact on return

reviewed and the subsidy claim form was amended for the error.

40+ testing was also completed for an extrapolation reported in the previous year in relation to the correct processing of end of JSA entitlement notifications to ensure that the same errors had not reoccurred in the current year. No further errors were found in this area.

The 40+ testing was completed by Council officers. We agreed with the Council's conclusions during our re-performance testing in all cases and were able to rely on the work performed.




# APPENDICES

## APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS	STATUS
<b>HOUSING AND COUNCIL TAX BENEFIT SUBSIDY</b>						
<p>Our testing identified a number of cases where Jobseekers allowance was cancelled by the DWP but this was not processed by the Council.</p> <p>A recommendation was raised to carry out refresher training for staff.</p>	Medium	The incorrect cases identified had been suspended but the subsequent cancellation had been effected from an incorrect date. Staff have been given additional training.	Revenues & Benefits Manager	December 2013	Training was provided to all staff processing benefit claims. No further errors of this type were found from our initial testing completed in 2013/14. 40+ testing was completed in this area for 2013/14 and no errors were identified.	Complete.
<p>Our testing identified a number of cases which had changes to the claimants Working or Child Tax credits but these had not been processed by the Council.</p> <p>A recommendation was raised to carry out refresher training for staff.</p>	Medium	Incorrect dates were used on these cases. Staff have been given additional training.	Revenues & Benefits Manager	December 2013	<p>Training was provided to all staff processing benefit claims. Further errors of this type were found in our initial testing and 40+ testing was completed as a result. Further errors were found in the 40+ testing and an extrapolated error was reported in the Qualification Letter.</p> <p>The majority of the errors identified occurred in the period prior to the training being completed and it is evident that the number of errors of this type has decreased significantly in this area. The impact of this recommendation will be considered in 2014/15 once a full year of benefit claims have been tested.</p>	In progress.

## APPENDIX II: 2013/14 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Initial testing identified that some non-HRA cases were misclassified in the subsidy claim form. These cases related to specific properties that were classified as rent rebates in previous years. The system automatically assigns these cases as rent rebate items and then Council Officers manually move these cases to show them as non-HRA. However the manual movement was incorrectly completed and a further amendment was required to correctly classify the expenditure in the subsidy claim form.	Complete a sense check on the claim form and ensure that the properties that were classified as rent rebate properties in previous years are correctly classified as short-term leased or self-contained accommodation.	Medium	Future manual adjustments to the claim form in relation to these cases will be Management checked prior to submission. With regard to these particular cases, we no longer hold them with effect from 29/09/14 as they have now moved to Rent Allowance.	Revenues & Benefits Manager	April 2015
Initial testing identified an error with a modified scheme case where an overpayment was incorrectly off-set against expenditure. An amendment was made to the subsidy claim form for all cases affected.  Civica issued a bulletin which confirmed that there was a system issue with the off-setting of over and underpayments and that they will be issuing a fix in due course.	Run all relevant system fixes to ensure that the issue with modified scheme cases is rectified and does not re-occur in future years.	Medium	This was a Civica system issue outside of officers' control, which we were unaware of, until the bulletin issued in November 2014 by Civica. Any future fixes issued by Civica will be appropriately actioned.	Revenues & Benefits Manager	April 2015



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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<b>Protecting the Public Purse 2014</b>		<b>Agenda No: 10</b>
<b>Corporate Priority:</b> An organisation that delivers value		
<b>Report presented by:</b> Lesley Day, Audit, Insurance & Fraud Manager		
<b>Report prepared by:</b> Lesley Day, Audit, Insurance & Fraud Manager		
<b>Background Papers:</b> Protecting the Public Purse 2014 published by the Audit Commission in October 2014		<b>Public Report;</b>
<b>Options:</b> N/a		<b>Key Decision:</b> NO
<p><b>Executive Summary:</b></p> <p>The Audit Commission's recent publication – 'Protecting the Public Purse 2014' is the latest and last report in the series from the Audit Commission on the extent of fraud against local government and is aimed at those responsible for governance in local government. (Appendix 1) Commencing on page 2 is the report summary together with recommendations which are already in place in this organisation however with one exception. Recommendation d) is to assess ourselves against the framework in CIPFA's new Code of Practice on Managing Risk of fraud and corruption. This will be carried out in the near future.</p> <p>The report refers to the Audit Commission making available individually tailored fraud briefings to support the external auditors' communication with those responsible for governance. A copy of the briefing for this Council is attached at Appendix 2.</p> <p>The report gives recommendations including:</p> <ul style="list-style-type: none"> <li>• use the Audit Commission's checklist for councillors and others responsible for governance to review their counter-fraud arrangements</li> <li>• actively pursue frauds identified through participation in the National Fraud Initiative (NFI)</li> </ul> <p>Attached as Appendix 3 is a completed 'Fighting Fraud Checklist for Governance' for Members consideration and to note the current counter-fraud arrangements.</p> <p>The Council ensures that all NFI data matches are investigated, whether categorised as a high, medium or low match, and outcomes are reported to the Governance Committee.</p> <p>When the Audit Commission closes in March 2015 the NFI data matching service will transfer to the Cabinet Office. The PPP series and fraud briefings will transfer to the Counter Fraud Centre run by CIPFA.</p>		



**Decision**

1. To acknowledge the Audit Commission's Protecting the Public Purse 2014 and the Audit Commission's Fraud Briefing
2. To note the completed 'Fighting Fraud Checklist for Governance' and the current counter-fraud arrangements
3. To note that an assessment will be made against the framework in CIPFA's new Code of Practice on Managing Risk of Fraud and Corruption.

**Purpose of Decision:**

To ensure Members are aware of the current and ongoing fraud risks and the counter fraud arrangements that are in place.

**Any Corporate implications in relation to the following should be explained in detail**

<b>Financial:</b>	N/a
<b>Legal:</b>	N/a
<b>Safeguarding</b>	N/a
<b>Equalities/Diversity</b>	N/a
<b>Customer Impact:</b>	N/a
<b>Environment and Climate Change:</b>	N/a
<b>Consultation/Community Engagement:</b>	N/a
<b>Risks:</b>	The absence of adequate counter-fraud actions could put the Authority at risk from fraud
<b>Officer Contact:</b>	Lesley Day
<b>Designation:</b>	Audit, Insurance & Fraud Manager
<b>Ext. No.</b>	2821
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# Protecting the public purse 2014

**Fighting fraud against local government**

**October 2014**



**The Audit Commission's role is to protect the public purse.**

**We do this by appointing auditors to a range of local public bodies in England. We set the standards we expect auditors to meet and oversee their work. Our aim is to secure high-quality audits at the best price possible.**

**We use information from auditors and published data to provide authoritative, evidence-based analysis. This helps local public services to learn from one another and manage the financial challenges they face.**

**We also compare data across the public sector to identify where services could be open to abuse and help organisations fight fraud.**

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## Summary and recommendations

**This is the last report in the *Protecting the public purse (PPP)* series from the Audit Commission before we close in March 2015. It draws on the learning from the Commission's 25-year experience in counter-fraud in local government.**

- The Commission published *PPP* reports from 1991 to 2000 and again from 2009 to 2014. *PPP* reports have:
  - raised awareness of the importance of fighting fraud;
  - promoted transparency and accountability about counter-fraud in local government bodies;
  - improved data on fraud detection, including benchmarking; and
  - promoted good practice in fighting fraud.

**The scale of fraud against local government is large, but difficult to quantify with precision.**

- In 2013, the National Fraud Authority estimated that fraud cost local government £2.1 billion, but this is probably an underestimate.
- Each pound lost to fraud reduces the ability of local authorities to provide public services.
- The more councils look for fraud, and follow good practice, the more they will find. Increasing levels of detection may be a positive sign that councils take fraud seriously rather than a sign of weakening of controls.

**In total, local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year, continuing the decline noted in *PPP 2013*. However, their value increased by 6 per cent.**

- The number of detected cases fell by 3 per cent to just over 104,000, while their value increased by 6 per cent to over £188 million.
- The number of detected cases of **housing benefit and council tax benefit fraud** fell by 1 per cent to nearly 47,000, while their value rose by 7 per cent to nearly £129 million.
- The number of detected cases of **non-benefit** fraud fell by 4 per cent to just over 57,400, while their value rose by 2 per cent to £59 million.

**In the past 5 years, councils have shifted their focus from benefit fraud to non-benefit fraud. From 2016, they will no longer deal with benefit fraud.**

- Between 1991 and 2000, nearly all fraud detected by councils was for housing benefit and later council tax benefit. During this time, councils had financial incentives to look for those frauds.
- These incentives ended in 2006, and councils have increasingly focused on non-benefit fraud in the past five years. Benefit frauds still comprise 45 per cent of all cases of detected fraud, and 69 per cent of their value.
- By 2016, all benefit fraud investigation will have transferred from councils to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions. The government's funding of £16 million from 2014, awarded under competitive bidding, to help councils refocus their efforts on non-benefit fraud during the transition will end at the same time.

**Councils will need to focus on the non-benefit frauds that present the highest risk of losses, including those that arise from the unintended consequences of national policies.**

- Between 2009/10 and 2013/14, councils consistently detected more **council tax discount fraud** than any other type of non-benefit fraud. In the most recent year, nearly 50,000 cases were found, worth £16.9 million.
- Detected **Right to Buy** fraud cases have increased nearly five-fold since 2009/10 to 193 per year. In 2013/14 these were worth £12.3 million. The rise in the number of these frauds followed large increases in the discount threshold over this period.
- The number of detected cases of **social care** fraud has more than trebled since 2009/10 to 438. In 2013/14, they were worth £6.2 million.
- Detected cases of **insurance** fraud rose from 72 in 2009/10 to 226 in 2013/14 and were worth £4.8 million.

**Overall, councils are detecting more non-benefit frauds, but detection rates for some types of frauds have fallen.**

- In 2010/11, councils detected 319 cases of **business rates** fraud worth £5.7 million. In 2013/14, they detected 84 cases worth £1.2 million.
- In 2010/11, councils detected 145 cases of **procurement** fraud worth nearly £14.6 million. In 2013/14, they detected 127 cases worth less than £4.5 million.

- A small minority of 39 councils **failed to detect any non-benefit frauds** in 2013/14. This number is down by more than half since 2012/13, which is encouraging. Our experience suggests it is extremely unlikely that no non-benefit fraud occurred at these councils.
- Councils believe that organised criminals present a low risk of fraud, but there is concern that organised crime is more prevalent in procurement fraud.

### **Councils are detecting more housing tenancy fraud**

- The number of social homes recovered from tenancy fraudsters increased by 15 per cent in the last year to 3,030.
- In 2013/14, councils outside London recovered more than two in five (40 per cent) of these homes. This represents a marked improvement in their performance. In 2009, when the Audit Commission's *PPP* reports first highlighted this issue, councils outside London accounted for less than 5 per cent of all social homes recovered.
- These figures do not include fraud against housing associations, which provide the majority of social homes.

### **. . . and more fraud in schools.**

- Detected cases of fraud in maintained schools have risen by 6 per cent to 206, worth £2.3 million. We have no data on fraud in non-maintained schools.
- Most of these frauds were committed by staff, suggesting that some schools may have weak governance arrangements that mean they are more vulnerable to fraud.

### **Local government bodies have a duty to protect the public purse. A corporate approach to tackling fraud helps them to be effective stewards of scarce public resources and involves a number of core components.**

- **Prevention and deterrence:** it is not currently possible to quantify accurately the financial benefit from deterring fraud, but professionals in the field believe the prospect of detection is the most powerful deterrent. Councils should widely publicise what fraud is, the likelihood of detection, and the penalties fraudsters face.
- **Investigation and detection:** between 2009/10 and 2013/14, the mean average number of full time equivalent (FTE) fraud investigators employed by councils declined steadily from 5.2 to 4.7, a fall of 10 per cent over the period. Our analysis suggests that a fall in FTE numbers is associated with lower fraud detection levels (see Chapter 4).

- **Recovery and redress:** after 2016, when central government no longer contributes funds for counter-fraud activity, councils will need to recover more losses than they have in the past. They can use legislation such as the Proceeds of Crime Act to do so.
- **Openness and transparency:** councils should look for fraud and record how many frauds they detect. Doing so would show leadership, allow them to compare their performance with other organisations, and alert them to emerging fraud risks more effectively.
- In 2013, only three in five (62 per cent) councils took up the offer of receiving one of the Commission's new **fraud briefings**, which contain comparative information on their detection levels.

**From April 2015, the Commission's counter-fraud activities will transfer to new organisations.**

- When the Commission closes, the National Fraud Initiative's (NFI) data matching service will transfer to the Cabinet Office.
- The remainder of our counter-fraud staff and functions, including the *PPP* series and fraud briefings, will transfer to the Counter Fraud Centre, run by the Chartered Institute of Public Finance and Accountancy (CIPFA).



## Recommendations

### All local government bodies should:

- a) use our checklist for councillors and others responsible for audit and governance (Appendix 2) to review their counter-fraud arrangements (Para. 120);
- b) adopt a corporate approach to fighting fraud, to ensure they fulfil their stewardship role and protect the public purse from fraud (Para. 78);
- c) actively pursue potential frauds identified through their participation in the National Fraud Initiative (NFI) (Para. 6);
- d) assess themselves against the framework in CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption (Para. 115); and
- e) engage fully with the new CIPFA Counter Fraud Centre (Para. 132).

### Councils in particular should:

- f) protect and enhance their investigative resources, so that they maintain or improve their capacity to detect fraud (Para. 100);
- g) be alert to the risk of organised crime, notably in procurement (Para. 31);
- h) be alert to the risks of fraud, particularly in growing risk areas such as Right to Buy (Para. 51) and social care (Para. 54);
- i) apply the lessons from the approach encouraged by *PPP* to tackle housing tenancy fraud, to other types of fraud (Para. 57);
- j) focus on prevention and deterrence as a cost-effective means of reducing fraud losses to protect public resources (Para. 80);
- k) focus more on recovering losses from fraud, using legislation such as the Proceeds of Crime Act (Para.114); and
- l) take up the Commission's offer of receiving a fraud briefing to help them benchmark their performance and promote greater transparency and accountability (Para. 129).

**The government should consider:**

- m) mandating local government bodies to complete the annual survey of detected fraud and corruption, to ensure it remains a comprehensive and robust source of data on fraud in the local public sector (Para. 125);
- n) extending the requirement to report information on detected cases of fraud to academies and free schools (Para. 48);
- o) commissioning research into the extent of the annual loss to local authority fraud and the costs and benefits of fraud prevention activities (Para. 83);
- p) encouraging CIPFA to use the detected fraud and corruption survey in the future to investigate the extent to which fraudsters use digital and on-line technology to defraud local government (Para. 85);
- q) extending powers for councils to investigate all frauds, to protect the public purse (Para. 91); and
- r) working with councils to anticipate and mitigate any unintended risks of fraud created by new policies (Para. 42).

# Chapter 1: Introduction

**This is the last report in the *Protecting the public purse (PPP)* series from the Audit Commission before it closes at the end of March 2015.**

**1** The first series of *PPP* reports ran from 1991 to 2000. After a gap of nine years, we relaunched the series following requests from local government bodies. Since then, we have reported figures on fraud detected by those organisations each year.

**2** As in earlier reports, *PPP 2014* describes year-on-year changes in cases and values of detected fraud, based on the Commission's annual survey of local government bodies. As it is the last report in this series, it also describes trends in the past five years, and draws on the learning from the Commission's 25-year experience in counter-fraud in local government.

**3** *PPP 2014* aims to inform the development of effective counter-fraud in local government after the Commission closes. It is designed for those responsible for governance in local government, particularly councillors, and describes:

- the amount of detected fraud reported by local government bodies<sup>i</sup> in 2013/14, compared with 2012/13 (Chapter 2);
- longer term trends (up to 25 years) in levels of detected fraud, and the lessons local government bodies can draw from this information (Chapter 3);
- the effective stewardship of the public purse, including taking measures to recover losses from fraud (Chapter 4); and
- measures to build on *PPP*'s legacy, so that local government bodies can continue to protect the public purse (Chapter 5).

<sup>i</sup> For the purposes of this survey we define fraud as an intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where management authorised action has been taken including, but not limited to, disciplinary action, civil action or criminal prosecution.

4 Appendices to this report contain:

- data tables of detected frauds and losses by region (Appendix 1);
- an updated counter-fraud checklist for those responsible for governance (Appendix 2); and
- case studies highlighting use of legislation, in particular the Proceeds of Crime Act, to recover monies from fraudsters (Appendix 3).

5 Each *PPP* report has identified the scale of detected fraud and the damage it causes<sup>i</sup>.

### The scale and impact of fraud

- Local government fraud involves substantial loss to the public purse. The most recent estimate of the annual loss to local government was £2.1 billion, excluding benefit fraud (Ref.1).
- This almost certainly underestimates the true cost of fraud. For example, it does not include fraud in major services such as education and social care.
- Each pound lost to fraud represents a loss to the public purse and reduces the ability of local government bodies to provide services to people who need them. Fraud is never a victimless crime.

Source: Audit Commission

### The changing counter-fraud landscape

6 When the Commission closes, its National Fraud Initiative (NFI) data matching service will transfer to the Cabinet Office. The remaining counter-fraud functions of the Commission will transfer to the new Counter Fraud Centre, launched in July 2014 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

7 The CIPFA Counter Fraud Centre will also publish the next *Fighting Fraud Locally* strategy for local government, following the closure of the National Fraud Authority (NFA) in March 2014. However, there are no arrangements to continue the NFA's *Annual Fraud Indicator*, in particular, which is the annual estimate of the level of fraud committed against local authorities.

i Audit Commission reports can be obtained through this link: <http://www.audit-commission.gov.uk/information-and-analysis/national-studies/>

8 Other changes include the creation of the National Crime Agency, established in 2014, which has taken over some of the activities previously carried out by the Serious and Organised Crime Agency (SOCA).

9 For councils, the most important change in their counter-fraud arrangements is the transfer of most of their benefit fraud investigators to the Single Fraud Investigation Service (SFIS), which is managed by the Department for Work and Pensions (DWP). The transition to the SFIS began in July 2014 and will be complete by March 2016.

10 The Department for Communities and Local Government (DCLG) has awarded £16 million through a challenge fund for two years from 2014. Councils whose bids were successful will receive a share of this fund to support their efforts to refocus their counter-fraud activities on non-benefit fraud during the implementation of the SFIS. Similar funding may not be available to councils in the future.

## The main issues councils face in tackling fraud

11 Because of these changes, the 2014 survey asked councils to identify the top three issues they face in tackling fraud. Councils report that the single most important issue is the need to ensure they have enough counter-fraud capacity (Figure 1).

Figure 1: **Main issues faced by councils in tackling fraud**



**Top 3**  
issues for  
councils:  
capacity, data-  
sharing and  
corporate  
recognition of  
the financial  
benefits of  
tackling fraud

Source: Audit Commission (2014)

**12** In the survey, councils identified other concerns that indicate a need for a more effective corporate approach to fighting fraud. These include:

- collecting and using data effectively;
- understanding the importance of the financial benefits of fighting fraud;
- the need for effective risk management;
- improving counter-fraud staff skills; and
- partnership working.

**13** *PPP 2014* addresses all these issues. Chapter 2 sets out the scale of the fraud they relate to, and how this has changed since 2012/13.

## Chapter 2: The latest figures on detected fraud in councils

**Local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year, continuing the decline noted in *PPP 2013*. However, the value of losses from detected fraud increased.**

**14** Each *PPP* report draws on data collected by the Commission's annual survey of detected fraud in local government bodies. *PPP 2014* uses data from the 2014 survey, which covered the 2013/14 financial year.

**15** The latest survey achieved a 100 per cent response rate, with responses from 494 local government bodies<sup>i</sup>. These results:

- map the volume and value of different types of detected fraud;
- provide information about emerging and changing fraud risks; and
- help to identify good practice in tackling fraud.

**16** Local government bodies detected fewer frauds in 2013/14 (just over 104,000) compared to the previous year (just under 107,000) (Table 1). The value of fraud detected in 2013/14 increased over the previous year, rising from £178 million to £188 million.

**100%** of  
local  
government  
bodies  
surveyed for  
*PPP 2014*  
responded

**£188  
million,**  
of local  
government  
fraud detected  
in 2013/14, the  
highest value  
on record

<sup>i</sup> All English principal councils, local authorities for parks, waste, transport, fire and rescue, and Police and Crime Commissioners are required to complete the survey.

Table 1: **Cases and value of detected fraud, excluding tenancy fraud<sup>i</sup> - Change between 2012/13 and 2013/14**

Type of fraud	For detected fraud in 2013/14 (excludes tenancy fraud)	For detected fraud in 2012/13 (excludes tenancy fraud)	Change in detected fraud 2012/13 to 2013/14 (%)
<b>Total fraud</b>			
Total value	£188,249,422	£177,966,950	+6
Number of detected cases	104,132	106,898	-3
Average value per case	£1,808	£1,665	+9
<b>Housing and council tax benefit<sup>ii</sup></b>			
Total value	£128,973,530	£120,100,854	+7
Number of detected cases	46,690	46,964	-1
Average value per case	£2,762	£2,557	+8
<b>Council tax discounts</b>			
Total value	£16,895,230	£19,567,665	-14
Number of detected cases	49,428	54,094	-9
Average value per case	£342	£362	-6
<b>Other frauds</b>			
Total value	£42,380,662	£38,298,431	+11
Number of detected cases	8,014	5,840	+37
Average value per case	£5,288	£6,558	-19

Source: Audit Commission

<sup>i</sup> We report housing tenancy fraud in Table 3.

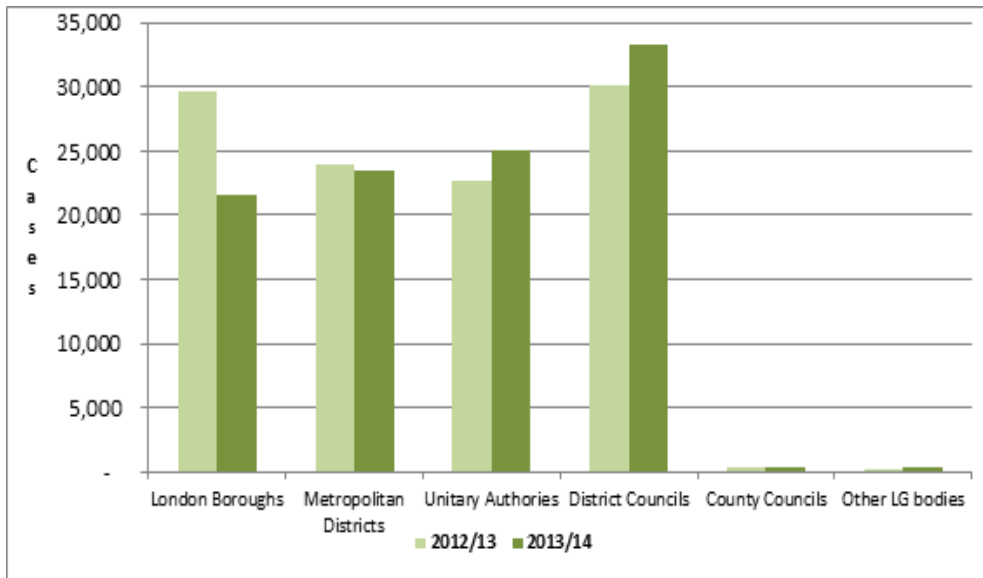
<sup>ii</sup> In April 2013, the government introduced Council Tax Reduction, to replace Council Tax Benefit (CTB). Council Tax Reduction is not a benefit, but to aid year-on-year comparisons, it is included in housing benefit and council tax benefit fraud figures for 2013/14.



17 The 3 per cent reduction in the total number of cases of detected fraud over the previous year was not uniform across councils. It is largely due to falls in London boroughs and metropolitan districts. Unitary authorities and district councils detected more fraud in 2013/14 than the previous year (Figure 2).

Figure 2: **Detected fraud cases**

Comparison by local government organisation 2012/13 and 2013/14

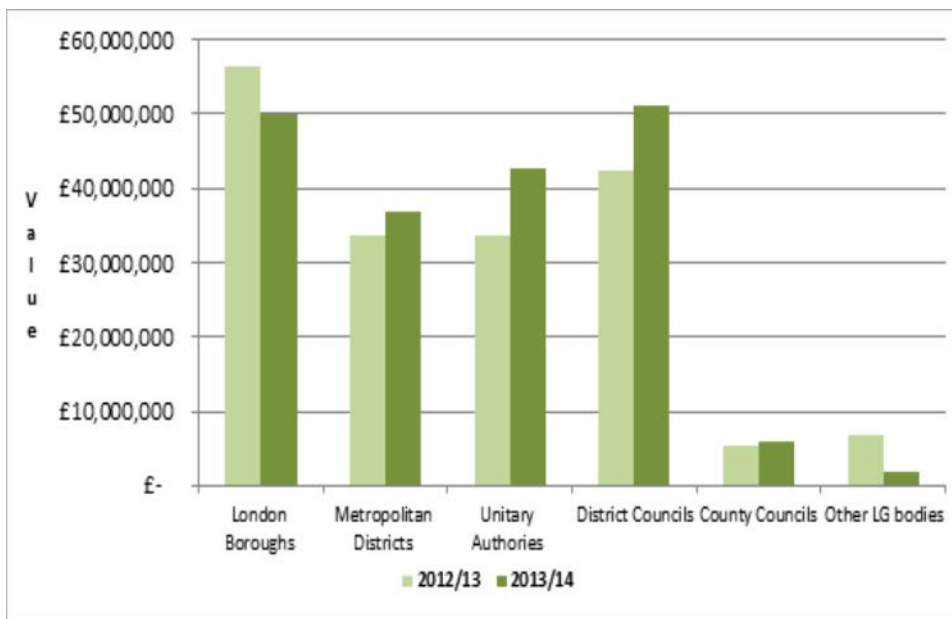


Source: Audit Commission (2014)

18 A similar picture emerges for changes in the value of detected frauds. This has increased by 6 per cent overall, from £178 million to £188 million, but varies across council types (Figure 3).

Figure 3: **Detected fraud by value**

Comparison by local government organisation in 2012/13 and 2013/14



Source: Audit Commission (2014)

19 The value of detected fraud rose in metropolitan district councils, unitary authorities, district councils and county councils compared with the previous year. It fell in London boroughs by 11 per cent.

## Benefit fraud

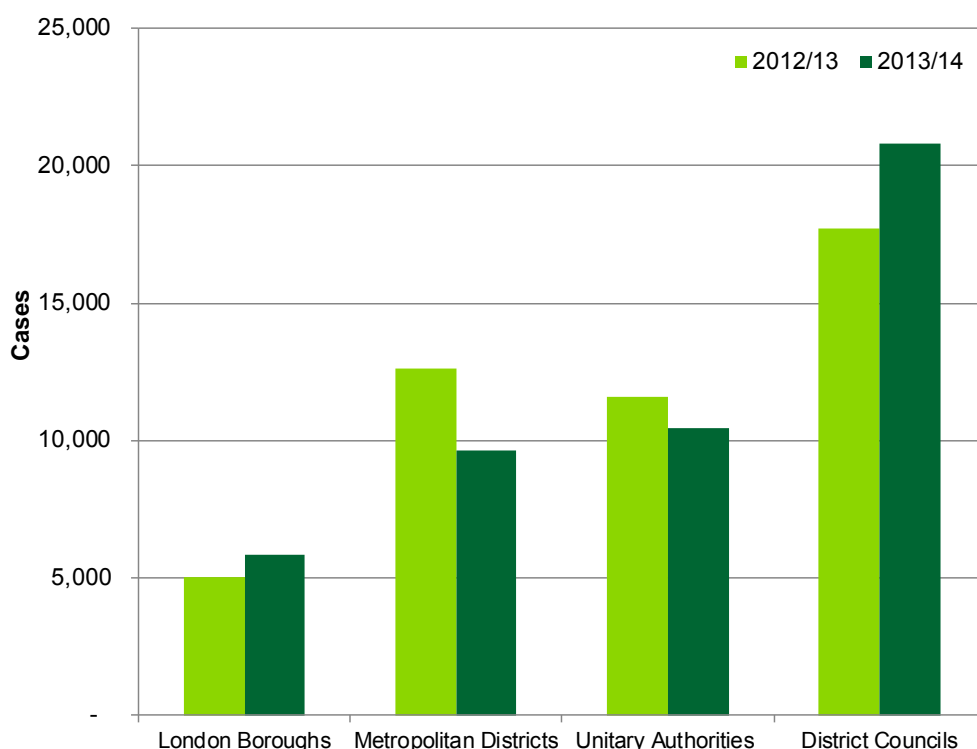
**20** In 2013/14, housing benefit and council tax benefit frauds comprised 45 per cent of all fraud cases, but accounted for 69 per cent of the value of all detected frauds.

**21** In 2013/14, district councils detected 20,798 benefit fraud cases; an increase of 17 per cent compared to the previous year (Figure 4). They detected not just the highest total overall compared with other councils, but also the highest as a proportion of their benefit caseloads (1.6 per cent). In contrast, London boroughs recorded both the lowest overall number of detected cases of benefit fraud (despite a rise of 16 per cent over the previous year) and the lowest as a proportion of their caseload, at 0.7 per cent.

**17% rise**  
in the number  
of cases of  
benefit fraud  
detected by  
district  
councils

Figure 4: **Detected benefit fraud cases**

Comparison of council types in 2012/13 and 2013/14



Source: Audit Commission (2014)

**22** Both metropolitan district councils and unitary authorities reported substantially fewer cases of benefit fraud than the previous year; down 24 per cent and 10 per cent respectively. Each detected around the same proportion of their overall caseload, at 0.9 per cent and 1.0 per cent respectively.

## Non-benefit fraud

**23** Table 2 highlights the largest frauds in the 'other' group in Table 1, which between them account for £36.5 million of the £188.2 million detected by councils in 2013/14.

Table 2: **Other frauds against councils in 2012/13 and 2013/14**

Fraud type	Number of cases 2013/14	Value 2013/14 (£ million)	Number of cases 2012/13	Value 2012/13 (£ million)	Change in case number 2012/13 to 2013/14 (%)	Change in case value 2012/13 to 2013/14 (%)
Right to Buy	193	12.4	102	5.9	+89	+110
Social care	438	6.3	200	4.0	+119	+58
Insurance	226	4.8	74	3.0	+205	+60
Procurement	127	4.4	203	1.9	-37	+132
Abuse of position	341	4.0	283	4.5	+20	-11
Disabled parking concessions (Blue Badge)	4,055	2.0	2,901	1.5	+40	+33
Business rates	84	1.2	149	7.2	-44	-83
Payroll	432	1.4	319	2.4	+35	-42

Source: Audit Commission (2014)

**24** Care is needed in interpreting these results, as annual percentage changes in value can be affected by a few very costly frauds in either year. For example, the value of business rates fraud fell by 83 per cent, largely because there was an unusually high value (£5 million) single fraud in one council in 2012/13. Procurement fraud is another example of a few costly frauds; cases have fallen by over a third (37 per cent), but their value has more than doubled (132 per cent).

**25** Taken together, the number of cases of non-benefit fraud in Table 2 has risen by 39 per cent between the two years, while their overall value has risen by 20 per cent.

26 In 2013/14, the largest non-benefit frauds by value were for:

- Right to Buy – this fraud has seen a marked increase in cases (up 89 per cent) and a more than doubling in value to £12.4 million (up 110 per cent);
- social care – cases have more than doubled to 438 (up 119 per cent) and their value has increased by more than half (58 per cent) to £6.3 million;
- insurance<sup>i</sup> – cases have more than tripled (up 205 per cent) and their value has risen by more than half (60 per cent) to £4.8 million; and
- disabled parking (also known as ‘Blue Badge’ fraud) – as in 2012/13, this produces the largest number of “other” cases, and in 2013/14, cases increased by 40 per cent to 4,055 with a value of £2 million.

**205%**  
increase in the  
number of  
cases of  
insurance  
fraud for  
2013/14 worth  
£4.8 million

<sup>i</sup> This fraud arises most commonly from members of the public who make false claims for compensation for accidents (known as ‘trips and slips’).

## Housing tenancy fraud

**27** The number of social homes recovered from tenancy fraudsters increased by 15 per cent in the last year (Table 3).

**Table 3: Detected tenancy fraud by region**

2012/13 to 2013/14

Region	Number of properties in housing stock (% of national housing stock)	Number of properties recovered in 2013/14	Number of properties recovered in 2012/13	Percentage change in the number of properties recovered 2012/13 to 2013/14
London	419,238 (25)	1,807	1,535	+18
West Midlands	208,740 (12)	425	416	+2
South East	174,313 (10)	129	132	-2
East of England	159,216 (9)	187	133	+41
East Midlands	182,950 (11)	136	102	+33
Yorkshire & the Humber	234,335 (14)	140	108	+30
South West	100,867 (6)	111	56	+98
North East	112,444 (7)	59	34	+74
North West	109,045 (6)	36	126	-71
<b>Total</b>	<b>1,701,148 (100)</b>	<b>3,030</b>	<b>2,642</b>	<b>+15</b>

Source: Audit Commission (2014)

**28** All but two regions detected more tenancy frauds in 2013/14 than in the previous year. The exceptions were the North West, where councils detected 71 per cent fewer cases, and the South East, where councils detected slightly fewer cases (down 2 per cent).

## Organised and opportunistic fraud

**29** The 2013/14 survey asked councils to indicate the extent to which they believed fraud was due to organised criminal activity, rather than to individuals acting alone. The survey used the National Crime Agency definition of organised crime as ‘crime planned, coordinated and conducted by people working together on a continuing basis. Their motivation is often, but not always, financial gain’ (Ref. 2).

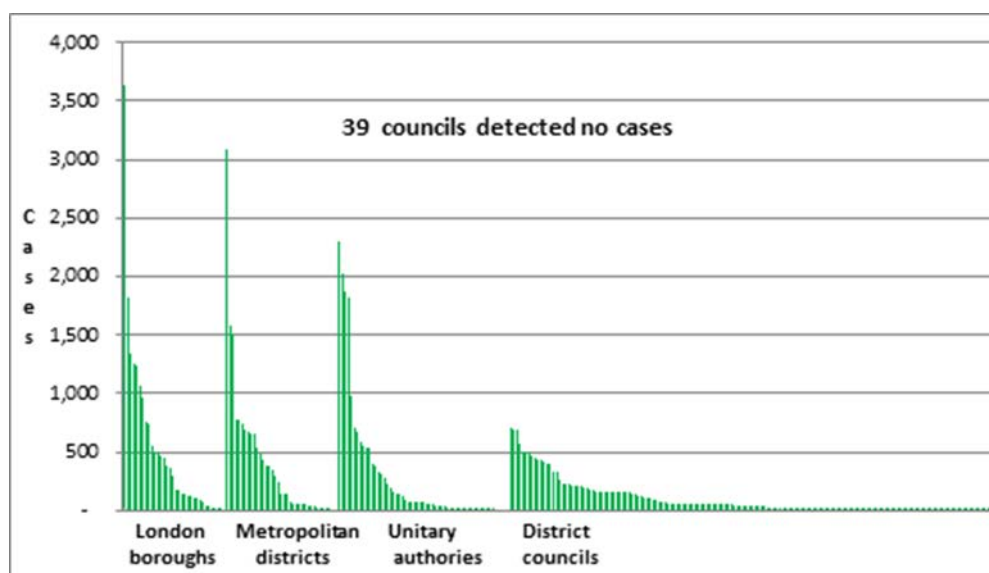
**30** Only 32 of 353 councils reported frauds they believed were linked to organised crime. They were most likely to detect the involvement of organised crime in housing benefit (11 councils), which probably reflects the greater number of detected frauds in this category.

**31** These results suggest that organised criminals do not commit much fraud against councils. Most local authority fraud investigators believe that opportunistic fraudsters pose the greatest risk. However, there is growing concern about organised criminals tendering for public service contracts, for example, to launder money (Ref. 3, p 55). Councils should be alert to the risk of organised crime and ensure their defences remain appropriate for the task.

## Failing to detect fraud

**32** In *PPP 2013* (Ref. 4), we reported that 79 district councils had not detected a single non-benefit fraud, compared with only 9 councils among London boroughs, metropolitan districts and unitary authorities combined. In 2013/14, the equivalent figures were 35 district councils 3 unitary authorities and 1 metropolitan district (Figure 5)<sup>i</sup>.

Figure 5: **Number of detected non-benefit cases by council type (excluding county councils) in 2013/14**



Source: *Audit Commission (2014)*

**33** While it is encouraging that the number of councils that did not detect any non-benefit fraud has fallen by half, it remains disappointing that 39 councils failed to detect any non-benefit fraud. 21 district councils and one unitary authority reported no detected non-benefit frauds in both years. Our experience suggests it is extremely unlikely that no non-benefit fraud was committed against them.

**34** Year-on-year trends help local government bodies manage current fraud risks. Longer term trends better enable them to understand whether they are matching their resources to risks effectively. Chapter 3 covers fraud detection over the medium to long terms.

**39 councils**  
did not report  
any detected  
cases of non-  
benefit fraud in  
2013/14, less  
than half the  
number of the  
previous year

<sup>i</sup> Figure 5 excludes county councils as they do not provide high-volume services such as council tax.



## Chapter 3: Longer term trends in frauds detected by councils

**Trends in detected fraud since 1991 show how councils have changed the way they tackle fraud in response to changing national policies and incentives. This chapter draws on the learning from the Commission's 25 years' experience in counter-fraud.**

**35** This chapter considers trends in detected fraud over the last 25 years, with more detailed information about the last five years from 2009/10 to 2013/14. It also highlights how the Commission's approach to tackling tenancy fraud could be applied in other areas, where risks are growing.

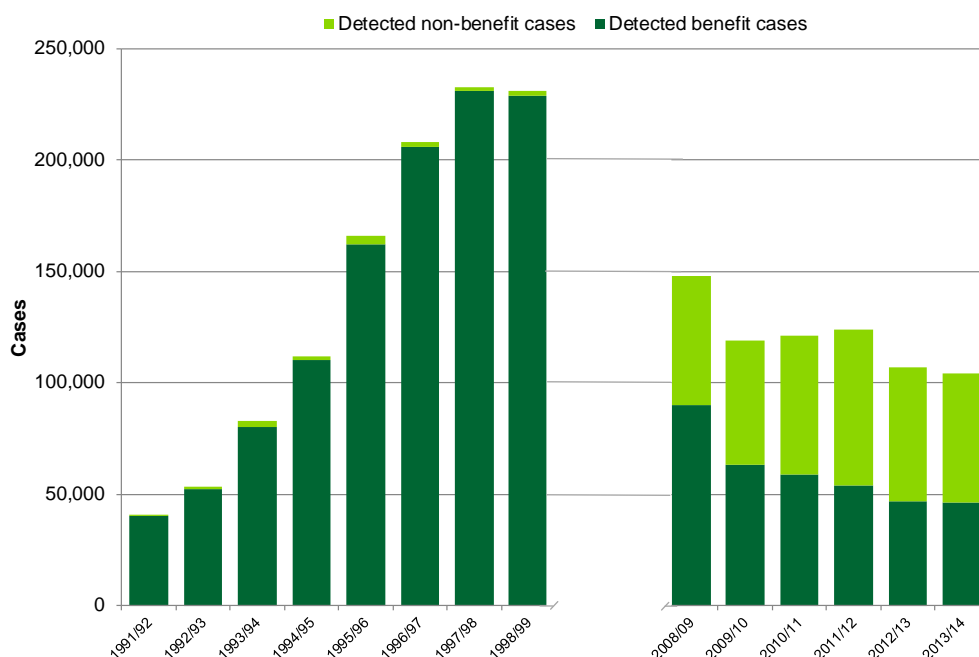
### **The shift in focus from benefit fraud to non-benefit fraud**

**36** Between 1991 and 2000, councils prioritised detecting benefit fraud. In 1991, only 2 per cent of cases of detected fraud related to non-benefits. When the *PPP* series restarted in 2009, nearly two in five (39 per cent) of all cases detected were of non-benefit fraud. By 2013/14, this had risen to over half (56 per cent) of all frauds detected (Figure 6)

**In the last  
5 years, the  
focus has  
shifted from  
benefit to non-  
benefit fraud**

Figure 6: **The shift from benefit to non-benefit fraud<sup>i</sup>**

Detected cases 1991/92 to 2013/14



Source: Audit Commission (2014)

**37** In 1993, the government introduced Weekly Benefit Savings (WBS), which created an incentive for councils to focus on benefit fraud. WBS ceased in 2002 and its replacement – Security Against Fraud and Error (SAFE) – ended in 2006<sup>ii</sup>. This removed a direct financial incentive for councils to focus on benefit fraud.

**38** The transition to the SFIS in 2016 means, from that year, councils will focus solely on non-benefit fraud. Some councils, particularly small and medium-sized organisations, have traditionally relied on benefit fraud investigators to tackle non-benefit frauds. It is unclear if these councils, and some others, will be able to refocus their efforts and resources on non-benefit frauds once the SFIS is in place.

**39** From 2009, *PPP* reports contained information about a wider range of non-benefit frauds than the earlier series, such as fraud detected within procurement or social care. This was to help local government bodies better understand the extent of the risks they face.

<sup>i</sup> Data are not available from 1999/2000 to 2007/08 because *PPP* did not operate in this period.

<sup>ii</sup> Under WBS, councils received funding, or were penalised, depending upon their achieving baseline levels of detected benefit fraud set by the government. Under SAFE, councils received additional funding based on the number of prosecutions and sanctions.

**40** Table 4 provides further information about the more recent history of the detected cases and values of these non-benefit frauds. Between 2009/10 and 2013/14, the main findings are that:

- councils have consistently detected more council tax discount fraud than any other type of non-benefit fraud (nearly 50,000 cases in 2013/14);
- council tax discount frauds have the lowest average value of all non-benefit frauds (£342 in 2013/14), but the scale of fraud in this area means they generate the biggest losses – £16.9 million in 2013/14;
- detected Right to Buy fraud cases have substantially increased in the last two years to 193 in 2013/14. Because their average value is over £64,000, they generate substantial losses of £12.4 million in that year;
- the number of detected cases of social care fraud more than trebled over the period to 438. With an average value in 2013/14 of £14,297, they account for £6.3 million in losses;
- the number of detected business rates frauds has fluctuated, rising from only 29 in 2009/10 to 319 in 2011/12 and then declining to 84 in 2013/14<sup>i</sup>; and
- the number of detected cases of insurance fraud similarly fluctuated over the last five years, but in 2013/14 councils detected three times as many of these frauds as in 2009/10.

**Right to Buy  
fraud cases  
increased in  
number by  
over 400%  
between April  
2012 and  
March 2014**

<sup>i</sup> This recent decline is unexpected, especially given the impact of the change in financial incentives from April 2013 for councils to tackle this fraud.

Table 4: **Cases and value (adjusted for inflation) of detected non-benefit fraud between 2009/10 and 2013/14**

		<b>Council tax discount</b>	<b>Business rates</b>	<b>Right to Buy</b>	<b>Procurement</b>	<b>Insurance</b>	<b>Social care</b>	<b>Economic/ third sector</b>	<b>Blue badge</b>
2013/14	Cases	49,428	84	193	127	226	438	36	4,055
	Value	£16,895,230	£1,220,802	£12,361,858	£4,437,965	£4,776,300	£6,261,930	£741,867	£2,027,500
	Average	£342	£14,533	£64,051	£34,945	£21,134	£14,297	£20,607	£500
2012/13	Cases	54,094	149	102	203	74	200	36	2,901
	Value	£19,905,056	£7,348,809	£5,959,424	£1,910,317	£3,026,996	£4,040,356	£1,299,707	£1,475,510
	Average	£368	£49,321	£58,426	£9,410	£40,905	£20,202	£36,103	£509
2011/12	Cases	60,891	319	38	187	132	122	45	4,809
	Value	£21,338,364	£2,651,726	£1,219,439	£8,297,496	£2,107,680	£2,216,681	£1,808,287	£2,472,366
	Average	£350	£8,313	£32,090	£44,372	£15,967	£18,170	£40,184	£514
2010/11	Cases	56,198	319	49	145	149	102	51	3,007
	Value	£23,599,729	£6,010,804	£1,090,538	£15,314,712	£3,905,680	£2,333,326	£1,361,079	£1,580,820
	Average	£420	£18,843	£22,256	£105,619	£26,213	£22,876	£26,688	£526
2009/10	Cases	48,253	29	34	165	72	131	47	4,097
	Value	£16,412,858	£660,891	£739,881	£2,962,701	£3,077,562	£1,534,013	£968,077	£2,210,152
	Average	£340	£22,789	£21,761	£17,956	£42,744	£11,710	£20,597	£539

**41** Councils have to be alert to both the intended and unintended consequences of government policies. Some are directly intended to change local practice, such as the introduction of the SFIS. Others create new services or means of delivery that may produce unintended incentives and opportunities for fraudsters, such as raising the discount threshold for Right to Buy.

**42** Central and local government can work together to anticipate and mitigate the risks of fraud created by new policies. This helps councils to adapt their counter-fraud approach to meet both intended and unintended consequences of government policies.

**43** Frauds committed in schools and those committed by staff are included in all fraud categories. For this reason, we do not identify them separately in Table 4, but give more information in the following sections.

## Internal fraud

**44** Since 2009/10, councils have detected broadly similar numbers of internal fraud, although their values have fluctuated. In 2013/14, councils detected nearly 1,500 cases of this type of fraud, generating £8.4 million in losses (Table 5).

**£8.4 million** of internal fraud detected by councils

Table 5: **Detected cases and values of internal (staff) fraud<sup>i</sup>**  
2009/10 to 2013/14

Financial year		Cases and values (and as a % of total for each)
2013/14	Cases	1,474 (1.4%)
	Value	£8.4m (4.5%)
	Average	£5,750
2012/13	Cases	1,315 (1.2%)
	Value	£16.8m (9.3%)
	Average	£12,751
2011/12	Cases	1,459 (1.2%)
	Value	£15.9m (8.8%)
	Average	£10,917
2010/11	Cases	1,581 (1.3%)
	Value	£20.5m (10.5%)
	Average	£12,969
2009/10	Cases	1,659 (1.4%)
	Value	£8.6m (5.9%)
	Average	£5,207

Source: Audit Commission (2014)

<sup>i</sup> Total and average fraud values for years between 2009/10 and 2012/13 are adjusted for inflation using HM Treasury's GDP Deflator. These values will thus differ from those in previous PPP reports.

## Fraud in maintained schools

**45** Schools<sup>i</sup> can be defrauded by those working in them, for example, staff who embezzle school funds, commit payroll fraud, or who claim false expenses. Externally, schools may be victims of procurement fraud and mandate fraud<sup>ii</sup>, among other types.

**46** In 2013/14, we report a total of 206 cases of schools fraud worth £2.3 million. This is an 8 per cent increase in cases over the previous year, and a less than 1 per cent increase in value (Table 6).

**Councils report a rise of 8% in the value of fraud detected at maintained schools**

Table 6: **Detected fraud in maintained schools**

Change from 2012/13 to 2103/14

Fraud in maintained schools	2013/14	2012/13	Percentage change 2012/13 to 2013/14
Total value	£2,330,416	£2,323,856	+1
Number of detected cases	206	191	+8
Average value per case	£11,313	£12,167	-7

Source: Audit Commission (2014)

**47** Of these frauds, over half (54 per cent) of cases and nearly two-thirds (62 per cent) of the value involved fraud by staff. These are substantially higher proportions than in other local government services. These findings are similar to those in *PPP 2013*, which suggests that schools may have weaker governance arrangements and less effective controls than larger organisations to detect and prevent fraud.

**48** It is important for maintained schools to continue to report the number and value of detected fraud to keep focus on this issue. The Commission would like to see similar transparency across all non-maintained schools to protect the public purse. The risk of fraud in non-maintained schools is becoming more apparent (Ref. 5).

**49** The CIPFA Centre for Counter Fraud has recently published good practice guidance on tackling schools fraud (Ref. 6).

<sup>i</sup> In our annual fraud survey, we only collect data from maintained schools. Free schools, foundations and academies are outside the Commission's remit.

<sup>ii</sup> Mandate fraud is where fraudsters divert payments, by deception, from the bank account of legitimate companies into the fraudster's own bank account.

## Councils' response to national policies

**50** The unintended consequence of some changes in government policy is to make some frauds more attractive to fraudsters. In *PPP 2012*, for example, we suggested that significant increases in the Right to Buy discount implemented in that year is likely to increase the financial incentive to commit fraud in this area.

**51** Table 4 shows that councils detected nearly six times as many Right to Buy frauds in 2013/14 as in 2009/10. From April 2012, the government brought in measures to encourage tenants to use the Right to Buy scheme. These included relaxing the qualifying rules and raising the discount threshold, which will rise in line with inflation.

**52** These changes encouraged substantially more Right to Buy applications. They also led to more detected frauds. Between April 2012 and March 2014, councils detected 295 cases, a 144 per cent increase over the three years before.

**53** Social care provides another example of the effect of national policies. Since 2007, the government has consistently aimed to give people more choice and control over the social care they receive, and to enable them to live independently at home for as long as possible (Ref. 7).

**54** The policy of more choice and local control has, however, changed the scale of the fraud risks councils face. Cases of detected social care fraud increased from 131 in 2009/10 to 438 in 2013/14. In 2013/14, however, a majority of all councils except London boroughs did not detect a single social care fraud (Table 7).

**Changes in government policy can have unintended consequences**

Table 7: **Councils reporting no detected social care fraud in 2013/14**

Council type	Proportion not reporting any detected social care fraud
Unitary authorities	62%
Metropolitan districts	53%
County councils	52%
London boroughs	39%

*Source: Audit Commission (2014)*

**55** Councils are detecting more cases of detected fraud in social care (see Table 4). This suggests that the risks of fraud in this service are growing, and also that some councils are taking this risk seriously. If all councils did so, the number of detected cases might rise further.



**56** More research is needed to identify the nature and quantify the extent of frauds in education and social care, which together account for 62 per cent of all councils spending in 2012/13 (excluding benefit payments) (Ref. 8, Figure 1, page 2). Similarly, more research would also help councils to quantify the extent of fraud in business rates, for which they collected £21.9 billion in 2012/13 (Ref. 9, Para.1).

**57** The increased detection of housing tenancy fraud provides a good example of the benefits greater information and attention brings. Since 2009, tenancy fraud has been a regular focus of *PPP* reports. We believe that councils can apply the learning from our approach to tenancy fraud to new and emerging fraud threats.

## Housing tenancy fraud

**58** Tenancy fraud is now recognised as the second largest area of annual fraud loss in English local government, valued at £845 million. There is a further £919 million of annual loss to housing associations (Ref. 1).

**59** *PPP*'s focus on tenancy fraud shows the benefit of regular reporting on rates of detected fraud, combined with supporting research. This approach has produced more reliable estimates of the extent and value of this type of fraud. It has also challenged myths and misconceptions about tenancy fraud and encouraged organisations to work together to share innovative approaches to tackling it. Similar action would help councils to tackle other types of fraud.

**At £845 million, tenancy fraud represents the second largest yearly loss to councils from fraud**

**60** Prior to 2009, there was no national estimate of the scale of tenancy fraud, or of the value of a social home recovered from a fraudster, and no regional information on detection. Some social housing providers were reluctant to recognise this type of fraud, on the grounds that as long as the fraudster occupying the property was paying rent, they suffered no financial loss.

**61** This encouraged many myths to build up, for example, that tenancy fraud was only a problem in London. This led some councils outside the capital to conclude they did not need to take any action to prevent or detect it.

**62** The Commission published the first robust research in the UK that challenged such myths. *PPP* reports contained good practice examples of social housing providers within and outside the capital that had increased cases of detected tenancy fraud.

**63** We published a cautious estimate of the extent of tenancy fraud in *PPP 2009* (updated in *PPP 2012*), which is widely accepted across England. Our research was used as the principal evidence base for a new offence specific to tenancy fraud, contained in the Prevention of Social Housing Fraud Act 2013.

64 Above all, we worked in partnership with key stakeholders, such as the Chartered Institute of Housing (CIH), the National Fraud Authority and the national Tenancy Fraud Forum, to identify and promote good practice and to encourage councils and housing associations to work together to fight fraud.

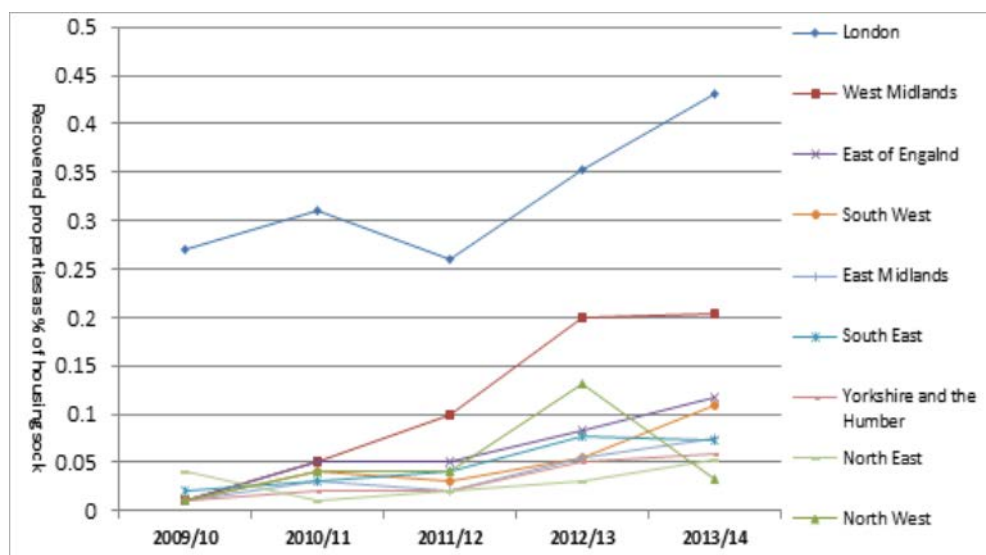
65 We believe that this approach helped to publicise the issues and encouraged social housing providers to combat tenancy fraud more effectively. Between 2009/10 and 2013/14, the total number of detected cases of housing tenancy fraud increased by 92 per cent.

66 The rate of improvement outside London has been substantial: in 2009/10, these councils only recovered 228 properties, but in 2013/14, this had risen to 1,223, an increase of 436 per cent.

67 Between 2009/10 and 2013/14, while the overall trend of recovery increased, the rate of recovery was uneven across regions (Figure 7).

**436%**  
increase in  
properties  
recovered,  
from housing  
tenancy  
fraudsters,  
outside of  
London in the  
last five years

Figure 7: **Recovered properties as a proportion of council housing stock in each region 2009/10 to 2013/14**



Source: Audit Commission (2014)

68 London has consistently detected the most tenancy frauds, measured as a proportion of total housing stock. The North West now detects proportionately the fewest tenancy frauds, which is the result of a decline in the last year. Had councils in this region maintained the same rate of detection as a proportion of their housing stock as in 2012/13, around 90 additional homes would have been available for families on the waiting list.

69 If all councils assigned resources to tackle tenancy fraud proportionate to their total stock, and adopted recognised good practice, then regional detection rates should be broadly similar. The fact they are not suggests that some councils can raise their performance.

**70** In 2014, the Chartered Institute of Housing published updated good practice on tackling tenancy fraud (Ref. 10).

**71** The Commission reports detection rates by councils and Arm's Length Management Organisations only. Information from housing associations is not universally available. However, as previous *PPP* reports have shown, some housing association partnerships have made good progress.

### Case study 1

#### Tenancy Fraud Forum – partnership working

- The Gloucestershire Tenancy Fraud Forum (GTFF) was formed in 2012 by seven social housing providers in the local area (Cheltenham Borough Homes, Gloucester City Homes, Severn Vale Housing Society, Two Rivers, Rooftop Housing Group, Stroud District Council and Guinness Hermitage). Prior to forming GTFF, individual member organisations detected few tenancy frauds.
- From 2012, GTFF members started sharing good practice, carrying out joint staff training and in particular undertook a local media-based awareness raising campaign. This resulted in a large increase in reports of suspected tenancy fraud.
- Following the campaign, GTFF recovered 107 homes from tenancy fraudsters in 2013/14. To build an equivalent number of homes from new would have cost the public purse over £16 million<sup>i</sup>.

*Source: Audit Commission (2014)*

**72** Some innovative housing providers used the launch of the 2013 Prevention of Social Housing Fraud Act as an opportunity to publicise their own tenancy fraud amnesties.

<sup>i</sup> In PPP 2011, we calculated the replacement cost of an average social housing unit to be £150,000.

## Tenancy fraud amnesties

**Tenancy fraud amnesties may have longer term benefits**

**73** Amnesty can be a useful option for social housing providers to recover properties from tenancy fraudsters. When implemented properly, they can have considerable impact at low cost.

**74** In 2013, the London Borough of Camden offered an amnesty lasting two months. In this time, tenancy fraudsters could hand back the keys to properties they had unlawfully occupied or sub-let, without further action taken on cases that were not being prosecuted for other offences.

Fraudsters returned seven properties (with a replacement value of over £1 million) to the Council. This represented a good return on the £25,000 spent on publicising the amnesty. LB Camden recovered 103 properties subject to tenancy fraud in total during 2013/14.

**75** The publicity had wider benefits. Prior to the campaign, the Council had received just six referrals from the public to its tenancy fraud hotline. In the two months during the campaign, it received 50 calls, with many more in the months that followed. The Council launched a number of investigations as a direct result of the increased hotline referrals and has so far recovered four more properties from these referrals with a further four pending prosecution.

**76** The Peabody Housing Association saw similar benefits from an amnesty. In 2012, 40 properties were handed back to the Association. In 2013, it held a two-month amnesty, during which 42 properties with a replacement value of £6.3 million were returned. In the whole year, tenants handed back 130 properties, suggesting the amnesty possibly had a longer term effect.

**77** The approach to housing tenancy fraud in *PPP* reports since 2009 illustrates how social housing providers can change their approach to fighting one type of fraud, based on robust information and greater transparency. Adopting a similar approach to other frauds would help them fulfil their duty to protect the public purse, which Chapter 4 explores in more detail.

## Chapter 4: Effective stewardship of public funds

**A corporate approach to tackling fraud in all areas supports councils to carry out the core functions of effective counter-fraud. This helps them fulfil their role as stewards of public resources, to the benefit of local and national taxpayers.**

**78** Councils are stewards of public funds and have a duty to protect the public purse from fraud. Better performing councils acknowledge this responsibility and put in place the core components of an effective corporate counter-fraud approach. These are contained in CIPFA guidance (Ref. **11**) and the government Fraud Review (Ref. **12**) and are:

- prevention and deterrence;
- investigation and detection; and
- sanction and redress (recovery of funds or assets).

**79** Councils face a challenge in carrying out these functions as their funding declines. This chapter considers each component in more detail and highlights examples of good practice showing how councils can develop a long-term and sustainable approach to tackling fraud.

### Prevention and deterrence

**80** Investigating fraud can be expensive for councils. They also incur costs in prosecuting fraudsters and in attempting to recover money, which is not always successful. It is usually more cost-effective to prevent fraud than to take action afterwards.

**81** In 2014, we asked over 200 fraud investigators and auditors from English local government how well their councils, or the councils they audit, prevent fraud. They believed that the strongest fraud prevention arrangements were found in housing benefits and council tax discounts, and the weakest in social care and schools.

**82** Better performing councils learn from fraud investigations, and address the weaknesses that enabled the fraud to occur. Such councils strengthen fraud prevention arrangements as a result, including deterrence.

**83** Some councils may be sceptical about the value of fraud prevention; for this reason, the sector would benefit from an agreed methodology to measure its cost-effectiveness. The government should commission such research.

**84** Even where councils obtain no direct financial benefit from preventing frauds, they should still fulfil their duty to protect the public purse by pursuing fraudsters.

## Case study 2

### Fraud prevention - Right to Buy

- In 2014, Sandwell Metropolitan Borough Council successfully prosecuted two people for a fraudulent Right to Buy application worth nearly £50,000. The fraudsters initially claimed the Right to Buy discount in 2011, making false statements about their eligibility indicating they were sisters and stating they both lived at the address. Their initial claim was refused on the grounds of failing to comply with residency requirement.
- In 2012, the fraudsters again claimed the Right to Buy discount, and again supplied false information about their relationship. The fraud was initially identified through National Fraud Initiative data matches. This enabled the Council to stop the Right to Buy before the sale was processed.
- Subsequent enquiries by the Council established that the fraudulent tenant was falsely claiming benefits, stating that she was resident at other addresses, while still claiming to be a Sandwell resident.
- The fraudsters were found guilty under the Fraud Act and each given a 20 month custodial sentence. This is one of the first successful prosecutions of Right to Buy fraud outside London.

*Source: Audit Commission (2014)*

**85** Councils increasingly use digital technology across services and functions. This reduces costs and can improve service quality, but also brings new fraud risks. Each year we adapt our annual fraud survey to gather new information about emerging fraud risks. The government should encourage the organisation carrying out the survey in the future, CIPFA, to investigate the extent to which fraudsters use digital and on-line technology to defraud local government.

**86** Innovative councils also use technology to prevent and detect fraud:

### Case study 3

#### Using technology to prevent fraud

- The London Borough of Southwark increased vetting checks at the point of application for a number of its services, to help protect valuable resources. The London Borough of Southwark is the third largest social landlord in the UK and has a large transient population.
- In 2013, The London Borough of Southwark implemented passport and identity scanners across the council at key customer contact points, including One Stop Shops, Housing Options and the Registrar's office. A mobile scanning system is also used by The London Borough of Southwark anti-fraud services and by council departments conducting specific projects. In total, 6,690 document scans were conducted in 2013/14, with 4 per cent requiring additional checks and verification as result.
- The London Borough of Southwark implemented additional verification checks on the council's waiting list, including veracity of application form information. This has reduced the number of accepted applications by 20 per cent. Additional verification checks have also been conducted on prospective tenants before they collect the keys to the tenancy. This prevented 12 per cent of all such allocations going to fraudsters.

*Source: Audit Commission (2014)*



**87** Councils can deter people from committing fraud if they set out clearly what fraud is and make clear it is likely fraudsters will be caught and punished. Professional fraud investigators believe the prospect of detection is the most powerful deterrent to committing fraud. This supports the need for councils to maintain adequate investigative capacity in a period of financial restraint.

**88** It is not currently possible to quantify accurately the financial benefit from deterring fraud. Councils can look to other indicators that may show its impact. The number of households claiming single person discount is one example, first highlighted in *PPP 2013* (Ref. 4).

**89** One-third of households in England claim single person discount. Our research (Ref. 13) suggests that typically between 4 per cent and 6 per cent of households claiming single person discount do so fraudulently.

**90** Between 2008 and 2013, the number of councils where 40 per cent or more households claimed single person discount reduced from 23 to 7. The council with the highest proportion of households claiming single person discount experienced a reduction in claims from 48 per cent to 41 per cent. One possible explanation for the decline in single person discount claims is the greater publicity from councils about this fraud in recent years.

**4% to 6%**  
**of council tax**  
**single person**  
**discount**  
**claims are**  
**typically**  
**fraudulent**

## Investigation and detection

**91** Fraud investigators have legal powers to investigate Council Tax Reduction frauds and housing tenancy frauds. The powers do not extend to other fraud types. This restricts their ability to investigate and detect fraud across all services, including social care and procurement. Councils need equivalent powers for all fraud types to protect the public purse effectively.

**92** Over the past 25 years, councils have substantially increased the number of benefit fraud investigators they employ. Between 1994 and 1997, staff numbers rose from 200 to over 2,000 (Ref. 14). The government encouraged councils to enhance the skills and training of these new staff. In 1998, the DWP launched the Professionalism in Security (PINS) qualification and associated training for benefit fraud investigators.

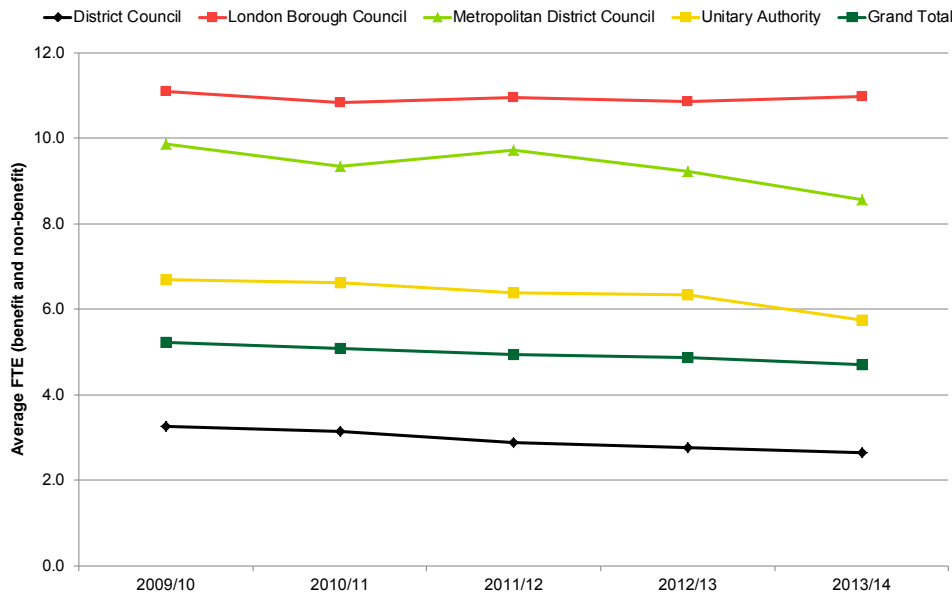
**93** *PPP 2013* (Ref. 4) reported a decline in detected fraud over the previous year; the first such fall since 2009. That report suggested further research to see whether falls in detection were linked with changes in councils' investigative capacity. Since 2010, councils have cut total staff numbers in response to reduced income<sup>i</sup> (Ref. 15).

<sup>i</sup> Across the United Kingdom, full-time equivalent staff numbers employed by local government fell from 2,160,000 in 2010 (Quarter 1) to 1,787,000 in 2014 (Quarter 1), a fall of 21 per cent.



**94** Between 2009/10 and 2013/14, the mean average number of full-time equivalent (FTE) fraud investigators employed by councils declined steadily from 5.2 to 4.7, a fall of 10 per cent (Figure 8).

**Figure 8: Average numbers of FTE fraud investigators, by council type 2009/10 to 2013/14**



*Source: Audit Commission (2014)*

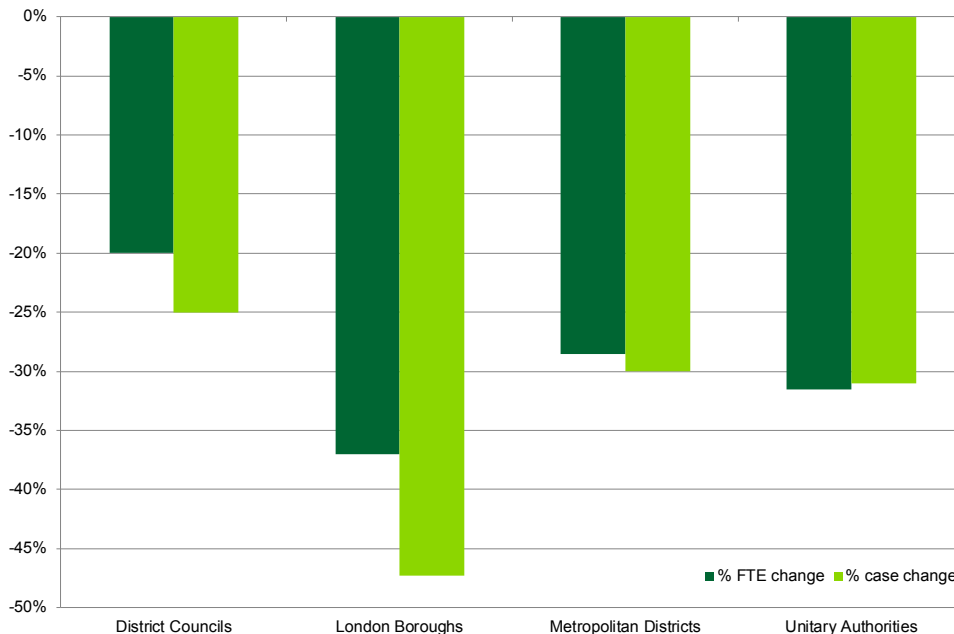
**95** London councils employ the most investigators and have seen little change at around 11 FTE staff over the whole five years. District councils have employed the fewest fraud investigators, and have seen their average FTE numbers reduce by 19 per cent, with unitary authorities and metropolitan districts reducing by 14 per cent and 13 per cent respectively.

**96** We wanted to investigate whether annual changes in staff numbers are associated with changes in the numbers of reported detected benefit and non-benefit fraud in each year within this period.

**97** Not enough councils reported separate staff numbers for non-benefit fraud staff to enable analysis of this type of fraud. For benefit fraud, all council types<sup>i</sup> saw a substantial reduction in both FTE staff numbers and detected benefit fraud cases (Figure 9).

Figure 9: **Councils' capacity to detect benefit fraud**

Changes in median benefit fraud FTE numbers and detected benefit fraud cases in 2009/10 and 2013/14



Source: Audit Commission (2014)

**98** Taking all councils in the analysis together, the median percentage fall in detected cases of benefit fraud exceeded that for FTE benefit fraud investigators. This was true in all councils except unitary authorities, where the percentage reductions were similar in each category.

**99** London boroughs saw the largest reductions, losing nearly two in five (37 per cent) of their benefit fraud investigation staff, and nearly half (45 per cent) of their detected benefit fraud cases over the whole period. It is likely that some of this decline is due to councils in the capital refocusing their fraud investigation resources on non-benefit fraud in preparation for the introduction of the SFIS (Ref. 4, Para. 46).

**100** Other councils also saw a substantial decline in their capacity to detect benefit fraud of between 20 and 30 per cent over this period. They also detected between 23 and 31 per cent fewer cases of benefit fraud. These differences are not statistically significant and data are patchy in 2010/11 and 2011/12. However, they indicate a clear decline in both counter-fraud capacity and detection rates between the two years.

**Counter fraud capacity and cases of benefit frauds detected both fell between 2009/10 and 2013/14**

<sup>i</sup> This analysis excludes county councils, which do not administer housing and council tax benefits.

**101** Levels of reported detected fraud can only give an indication of the extent of fraud committed against councils. In our experience, the more councils look for fraud, and follow good practice, the more they will find. Increasing levels of detection may therefore be a positive sign that councils take fraud seriously, rather than evidence of weak counter-fraud controls.

**102** It is becoming increasingly urgent for councils to recover losses to fraud. In 2016, the funding to aid councils refocus their activities on non-benefit frauds during the transition to the SFIS will end. Without this money, councils will need alternative means of financing counter-fraud investigation and prevention. Recovery of losses offers one way to do this.

## **Sanction and redress (recovery of losses)**

**103** Councils can invoke a range of criminal and civil sanctions against fraudsters. They can impose fines (for example, a £70 fine for fraudulently claiming single person discount), and withdraw benefits, contracts or licences. In some cases, stopping the discount or service provided may be the limit of the action taken.

**104** The vast majority of frauds committed against local authorities are never pursued through the criminal courts. There are many frauds against councils (104,132 detected cases in 2013/14). With fewer staff and resources, it is appropriate for councils to follow different courses of action. This is consistent with good stewardship of public funds.

**105** Recovering funds lost to fraud can be difficult. Research suggests that, across all sectors of an economy, more than half of all fraud victims do not recover any monies. Fewer than one in ten achieves full financial restitution (Ref. 16).

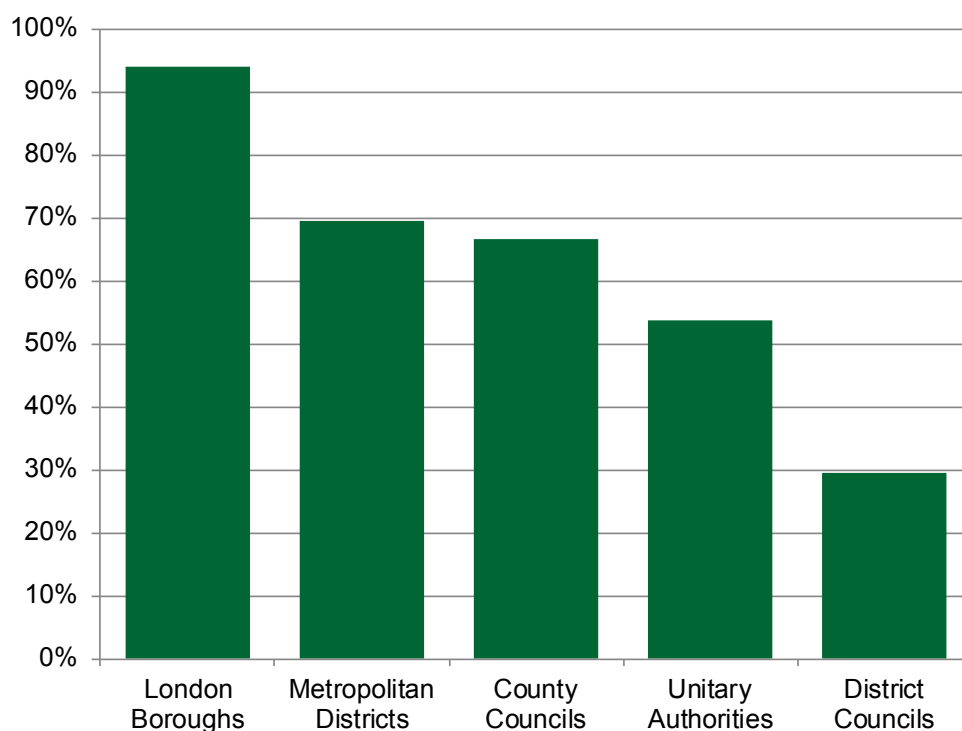
**106** Councils can pursue recovery through the civil or criminal courts, but they can consider alternative means to punish fraudsters, deter potential fraudsters and also generate funds to reinvest in tackling fraud.

**107** In 2014, the Local Authority Investigating Officers Group (LAIOG) published guidance on estimating potential loss to fraud in specific areas of local authority activity. Councils can utilise this guidance to estimate their own local losses (Ref. 17).

**108** Appendix 3 contains case studies that illustrate how councils can use legislation, notably but not solely the Proceeds of Crime Act 2002 (POCA), to recover money from fraudsters.

**109** POCA offers one means of recovering fraud losses through criminal law. Around two in five (43 per cent) of councils employ, or have access to, specialist POCA financial investigators to recover money from fraudsters through the courts (Figure 10).

Figure 10: **Proportion of councils in 2013/14 with access to POCA financial investigators, by council type**



Source: Audit Commission (2014)

**110** The proportion of councils in each group with access to financial investigators varies widely. All but two London boroughs use them and most employ their own. In contrast, just over a quarter (28 per cent) of district councils used a financial investigator.

**111** Financial investigators have typically focused on trading standard offences and benefit fraud, but they also enable councils to use POCA to recover funds lost to other frauds.

**112** For example, in 2014, the financial investigator at the London Borough of Lewisham<sup>i</sup> used a POCA confiscation hearing to establish the link between social housing fraud and additional costs the Council had incurred in housing homeless people. We had previously identified this link in *PPP* reports. The court agreed and set a precedent by awarding Lewisham £10,000 per fraudulently sub-let property in this case.

<sup>i</sup> This case was undertaken by the financial investigator on behalf of Lewisham Homes, the Arm's Length Management Organisation (ALMO) that manages the social housing stock for the council.

**113** The court's judgement creates case law that will help social housing providers to punish offenders, recover funds and, equally importantly, deter others from committing such frauds in the future.

**114** Local authorities should give greater consideration as to how best to use POCA financial investigators, especially in cases where councils incur substantial financial loss.

## **CIPFA Code of Practice on Managing the Risk of Fraud and Corruption**

**115** The six key components of effective stewardship of public funds highlighted in this chapter are incorporated within the newly published CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (Ref. **18**). The Code will be supported by a self-assessment framework. CIPFA also intend to publish good practice guidance. We encourage all public bodies, including local authorities, to assess themselves against this Code.

## Chapter 5: Building on *PPP*'s legacy

***The Commission's PPP reports have made an important contribution to the fight against public sector fraud. The CIPFA Counter Fraud Centre is well placed to continue this work, and intends to publish future annual PPP reports on the extent of detected fraud in local government.***

**116** Throughout its existence, the Commission has played an active part in helping public bodies tackle fraud effectively. For example, early *PPP* reports identified low levels of fraud detection in the NHS, which led in part to the creation of the NHS Counter-Fraud Service in 1998 (now NHS Protect). Our research on the scale of tenancy fraud and council tax single person discount fraud has been widely used to support improvements in the response to such fraud.

**117** *PPP* reports use the Commission's statutory powers to collect and publish data on local counter-fraud detection. They have changed the way local government bodies and other organisations think about and approach fighting fraud, and achieved a number of important outcomes.

### ***PPP reports raise awareness of the importance of fighting fraud***

**118** When the Commission resumed *PPP* in 2009, there was little research available on the nature and extent of most types of non-benefit fraud affecting local government bodies. We developed robust estimates, now widely used by national and local government, of the scale of both tenancy fraud and council tax single person discount fraud.

**119** Many organisations did not acknowledge that fraud is a problem or understand its scale and impact. *PPP* reports attracted publicity and interest, which help officers and councillors to argue for more effective resources to protect the public purse.

**120** Each *PPP* report contain a checklist for those charged with governance to help them understand and assess their risks and performance. The latest version is in Appendix 2. Councils should continue to use this checklist, which is updated annually with each new *PPP* report.

## **PPP reports promote transparency and accountability**

**121** The information in *PPP* reports, combined with individual fraud briefings (see paragraphs 126 to 129), help to create greater transparency and accountability in local public services. *PPP* reports have been widely used by audit committees.

## **PPP reports improve data about fraud**

**122** Prior to 2009, there was no sector-wide definition, or sub-categorisation, of fraud affecting local government. The annual fraud survey for *PPP* reports foster a common understanding of fraud across local government, and require local government bodies to record the numbers and values of all the frauds they detected.

## **PPP reports enable local government bodies to benchmark their performance in detecting fraud**

**123** *PPP* reports contain regional and national data on detection rates and values for all types of benefit and non-benefit frauds. This allows English councils to compare their performance against national, regional and local norms. Understanding fraud detection performance helps local government bodies to adopt a proportionate and effective approach to fighting fraud.

## **PPP reports promote good practice in fighting fraud**

**124** Each *PPP* report contains case studies that illustrate the actions local government bodies, often in partnership, take and the outcomes they achieve in fighting fraud. Every year, we work with councils to promote good practice across the sector.

**125** All these benefits were possible because the Commission could mandate councils to complete and return the annual questionnaire for the fraud and corruption survey. Going forward, unless the survey is mandated by DCLG, response rates will probably fall. This would reduce the reliability of the survey results.

## Fraud briefings

**126** In 2013, we published for the first time individually tailored fraud briefings to support external auditors' communication with those responsible for governance at each council, principally locally elected councillors on audit committees. The briefings contained comparative benchmark information on each council's detection results. External auditors could provide these briefings on request and on a confidential basis, to ensure that the information they contained was not available to fraudsters<sup>i</sup>.

**127** All 353 English local authorities were able to receive their fraud briefing, without charge, through a presentation from their external auditor in late 2013 and early 2014. Around three in five councils (62 per cent) received a briefing and presentation, but it is disappointing that many councils did not.

**128** We believe these briefings make an important contribution to improving transparency and accountability in local fraud detection performance. Some councils are reluctant to discuss fraud, or unwilling to accept it occurs, which may help to explain why not all councils opted to receive their fraud briefing.

**129** In November 2014, we will again make fraud briefings available free to all councils, via their external auditor. We encourage all local authorities to use these fraud briefings to inform their local counter-fraud priorities and strategies.

**62% of councils compared their detection levels with their peers, using our tailored fraud briefings**

## CIPFA Centre for Counter Fraud

**130** Fraud risks are constantly changing. New ways of delivering public services, in particular through digital technology, bring new threats. Local government's counter-fraud approach needs to adapt and evolve to meet these new challenges. A key requirement for local bodies is to improve their counter-fraud capability.

<sup>i</sup> In 2012, the Audit Commission cited an exemption under section 31(1)(a) of the Freedom of Information (FOI) Act (that disclosure would be likely to prejudice the prevention or detection of crime) to refuse an FOI request for council-specific annual detected fraud survey results. Our concern was that disclosure of the data could prejudice the ability to prevent or detect fraud if any particular authority's track record in this regard were to become public. The Information Commissioner's Office upheld this exemption. It is for individual organisations to seek their own advice and determine their response to any FOI requests.



**131** Auditors and fraud investigators already have many of the skills required to provide an effective counter-fraud service. Although some councils use such resources effectively, this is far from universal.

**132** From April 2015, the Audit Commission's strategic counter-fraud activities and team will transfer to CIPFA's Counter Fraud Centre. The Centre is a source of expertise and leadership for local government and the wider public sector to help organisations meet challenges in the future.

**133** With the support of the new Counter Fraud Centre, the sector can enhance investigative capability, even with fewer staff. The Centre can support measures to improve in several important areas:

- **Continuing to publish *PPP*.** The Centre intend to publish a similar *PPP* report based on an annual survey of detected fraud and corruption in English local authorities.
- **Benchmarking performance.** Benchmarking is critical to understanding how well an organisation performs. The Centre for Counter Fraud intend to continue to publish individual fraud briefings. It will also draw on CIPFA's expertise in comparing data.
- **Professional training.** The Centre will develop and offer professional accredited training for the public sector with specific bespoke focus for local government investigators.
- **Tools and other services.** The Centre will offer e-learning in anti-corruption and whistleblowing, supported by counter-fraud specialists. Other services will include professional networks, thought leadership and fraud alerts.

**134** CIPFA does not have the same breadth of powers that the Audit Commission has been able to deploy to support local government, including powers to mandate submission of information on fraud detection results. This could weaken the comparative data used in fraud briefings.

**135** We encourage all councils and other public bodies to maximise the potential benefits of participation with the CIPFA Counter Fraud Centre.

**136** The Audit Commission leaves a strong legacy in counter-fraud. CIPFA is well placed to continue this work and help local government in its fight against fraud.

## Appendix 1: Data tables of detected frauds and losses by region

**Table 8: Detected frauds and losses 2013/14 by region compared to regional spend by councils**

Region	Council spending by region as percentage of total council spending in 2012/13 <sup>i</sup>	Regional percentage of the total value of all detected frauds in 2013/14	Regional percentage of the number of all cases of detected frauds in 2013/14
(TOTAL)	(£111.7 billion)	(£188.3 million)	(104,132)
East of England	10.3	9.9	10.3
East Midlands	7.7	6.4	8.6
London	18.2	27.1	20.8
North-East	5.4	4.1	6.5
North-West	13.6	10.9	8.3
South East	15.0	14.5	15.7
South-West	9.1	9.0	9.6
West Midlands	10.8	9.8	12.5
Yorkshire and Humber	10.1	8.3	7.7

*Source: Audit Commission (2014)*

- <sup>i</sup> Regional spending data for 2013/14 are not yet available. However, the proportions of spending in each region do not change much from year to year. For this reason, Table 8 includes 2012/13 spend data as a benchmark against fraud losses and detected cases in 2013/14.

## Appendix 2: Checklist for councillors and others responsible for governance

I. General	Yes	No	Previous action	2014 Update
1. Do we have a zero tolerance policy towards fraud?				
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i> ?				
3. Do we have dedicated counter-fraud staff?				
4. Do counter-fraud staff review all the work of our organisation?				
5. Does a councillor have portfolio responsibility for fighting fraud across the council?				
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?				
7. Have we received the latest Audit Commission fraud briefing presentation from our external auditor?				
8. Have we assessed our management of counter-fraud work against good practice?				
9. Do we raise awareness of fraud risks with:				
■ new staff (including agency staff);				
■ existing staff;				
■ elected members; and				
■ our contractors?				

I. General	Yes	No	Previous action	2014 Update
10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?				
11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?				
12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?				
13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?				
14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?				
15. Do we have effective arrangements for:				
■ reporting fraud?				
■ recording fraud?				
16. Do we have effective whistle-blowing arrangements. In particular are staff:				
■ aware of our whistle-blowing arrangements?				
■ have confidence in the confidentiality of those arrangements?				
■ confident that any concerns raised will be addressed?				
17. Do we have effective fidelity insurance arrangements?				

<b>II. Fighting fraud with reduced resources</b>	<b>Yes</b>	<b>No</b>	<b>Previous action</b>	<b>2014 Update</b>
18. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once SFIS has been fully implemented?				
19. Did we apply for a share of the £16 million challenge funding from DCLG to support councils in tackling non-benefit frauds after the SFIS is in place?				
20. If successful, are we using the money effectively?				
<b>III. Current risks and issues</b>	<b>Yes</b>	<b>No</b>	<b>Previous action</b>	<b>2014 Update</b>
<b>Housing tenancy</b>				
21. Do we take proper action to ensure that we only allocate social housing to those who are eligible?				
22. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?				
<b>Procurement</b>				
23. Are we satisfied our procurement controls are working as intended?				
24. Have we reviewed our contract letting procedures in line with best practice?				
<b>Recruitment</b>				
25. Are we satisfied our recruitment procedures				
■ prevent us employing people working under false identities;				
■ confirm employment references effectively;				
■ ensure applicants are eligible to work in the UK; and				
■ require agencies supplying us with staff to undertake the checks that we require?				

III. Current risks and issues (continued)	Yes	No	Previous action	2014 Update
<b>Personal budgets</b>				
26. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?				
27. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?				
<b>Council tax discount</b>				
28. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?				
<b>Housing benefit</b>				
29. When we tackle housing benefit fraud do we make full use of:				
■ National Fraud Initiative;				
■ Department for Work and Pensions Housing Benefit matching service;				
■ internal data matching; and				
■ private sector data matching?				
IV. Other fraud risks	Yes	No	Previous action	2014 Update
30. Do we have appropriate and proportionate defences against the following fraud risks:				
■ business rates;				
■ Right to Buy				
■ council tax reduction;				
■ schools; and				
■ grants?				



## Appendix 3: Case studies: targeting fraudsters, financial recovery (in particular use of POCA)

### Case study 4

#### **Recruitment payroll fraud - pension pot recovered (total value £414,415)**

- In July 2012, a council successfully prosecuted the Head of their Youth Offending team and several co-conspirators for payroll fraud. In collusion with employees at a recruitment agency, the employee authorised payments for several non-existent temporary agency staff. The fraud was first brought to the attention of the council by a whistleblower.
- The employee was found guilty of conspiracy to defraud the council and sentenced to five years and six months in prison. The co-conspirators were also found guilty and sentenced to four years, two years, and 18 months respectively.
- In 2014, the council was awarded a total of £414,415 in financial restitution from the fraudsters, in part through successful POCA judgements. This included £286,415 recovered from the fraudsters' pension under provisions within the Local Government Pension Scheme.

*Source: Audit Commission (2014)*



## Case study 5

### **Prevention of Social Housing Fraud Act - unlawful profit order of £31,000**

- In early 2014, a predominantly London-based housing association was one of the first social housing providers to gain an Unlawful Profit Order under the Prevention of Social Housing Fraud Act. This allows social landlords to seek a money judgement against their tenant where illegal sub-letting has occurred.
- On a routine visit, a housing officer became suspicious about illegal sub-letting after seeing an unfamiliar person in a property. The officer discovered that the official tenant had lived and worked in Spain for at least the last two and a half years.
- The court ordered the tenant to pay the housing association £31,000, plus costs. The property was recovered and immediately re-let.

*Source: Audit Commission (2014)*

### Procurement fraud and POCA

- In 2014, a council successfully obtained a confiscation order under the Proceeds of Crime Act for £75,000. This related to the amount an employee had been illegally paid to provide confidential contract information.
- The employee's responsibilities included awarding council contracts for ICT equipment. In this role, the employee introduced two new suppliers to the council's approved tender list, subsequently advising them of tender submissions by competing companies. This enabled the two companies concerned to underbid competitive rivals to secure the contracts.
- The fraud was identified as a result of information provided by an anonymous informant.
- The employee was dismissed, subsequently found guilty under the Fraud Act and sentenced to two years imprisonment.

*Source: Audit Commission (2014)*

### **Benefit fraud (£43,000), POCA award of nearly £1.2 million**

- Over a four-year period a husband and wife made false statements as to their relationship and stole somebody else's identity (to create a non-existent landlord), to fraudulently claim housing benefit worth £43,000 from a council.
- The money claimed was used to finance an extravagant lifestyle, including purchases of two sports cars, expensive watches and nearly £100,000 of musical equipment. Subsequent enquiries by the council's financial investigator established that the husband owned a property abroad worth in excess of £1 million, had further land holdings and several businesses in the UK and abroad, including two money transfer companies. He also had several business and bank accounts.
- The fraudsters pleaded guilty to 19 Fraud Act, Theft Act, perjury and immigration offences. The fraudsters were sentenced to 30 months in prison and 12 months' suspended sentence respectively.
- Using the findings of the financial investigator's enquiries into the financial history of the fraudsters, a subsequent POCA hearing awarded £1,197,000 in a confiscation order, to be paid by the husband. The council is due £497,000 of this award.
- The fraudster husband subsequently paid £11,849 of the amount awarded. In late 2013, he left the UK and is now resident abroad. An arrest warrant has been issued.

*Source: Audit Commission (2014)*

### Recovery of 23 council houses from fraudsters

- In 2011, a council's fraud team uncovered one of the country's biggest ever tenancy fraud cases. Over a three year period, a council employee dealing with homeless people had operated a scheme to process bogus housing applications to fraudulently obtain council homes. Properties were subsequently allocated to the fraudster's family, close associates and later those willing to pay. The fraudster used fake identities, false personal data and fraudulently adjusted housing application forms to make the co-defendants "high priority" for housing.
- The fraud was first identified through National Fraud Initiative data 'Operation Amberhill' matches. Subsequent investigations found a pattern of false documentation being used to obtain social housing. Enquiries with the UK Borders Agency and HMRC established that seven of the properties were allocated to people not legally allowed to be in the UK.
- Council investigators found a pattern where significant one-off payments would be made to the fraudster's bank account. A few days later a property would be allocated to the individual making the payment.
- In total, 23 properties were fraudulently allocated, most of which have already been recovered by the council.
- The fraudster pleaded guilty to transferring criminal property and in January 2014 he was sentenced to four years in prison. The co-defendants, who included the mother and a former wife of the culprit, received suspended sentences ranging from six to eight months, and other penalties including curfews and community service.

*Source: Audit Commission (2014)*

## Case study 9

### **Benefit fraudster with over 30 bank accounts – POCA confiscation order of £150,000**

- In 2011, a council initially identified through data matching that a benefit claimant had two undeclared bank accounts. Further enquiries established the claimant had over 30 such undeclared bank accounts in operation over a ten year period. During that time the claimant had received over £43,000 in benefits. A restraint order was placed on these bank accounts under the Proceeds of Crime Act, to prevent them being used.
- The individual was subsequently found guilty of two counts of benefit fraud under the Social Security Administration Act and received a six month custodial sentence.
- In 2014, a POCA confiscation order of £150,000 was made against the fraudster, of which over £43,000 related to the council for the fraudulent housing benefit payments. These monies have now been paid back by the fraudster.

Source: Audit Commission (2014)

### Right to Buy fraud and benefit fraud

- In 2010, a couple applied to purchase their council home under Right to Buy for £185,000, with a discount of £38,000. The purchase was not consistent with their financial circumstances, as they were long term benefit claimants on low income. As part of the council's anti-money laundering policy, enquiries were then made to establish how the property purchase would be financed.
- Enquiries revealed the couple had savings in excess of £30,000, which had not been declared in the course of claiming benefits. The mortgage to fund the purchase was to be £147,000. To obtain the mortgage, one defendant inflated his income and a completely false income was declared for the other, who had not worked for over 15 years.
- In March 2012, the defendants pleaded guilty to benefit fraud offences and money laundering totalling over £10,000. They received a 12 month Community Order, 150 hours unpaid work, an evening curfew and electronic tagging.
- At a subsequent confiscation hearing, the council were awarded over £40,000 in relation to both the Right to Buy and benefit frauds, which has been repaid in full.

*Source: Audit Commission (2014)*

## Housing officer fraudulently sub-letting council house

- In 2010, a council housing officer created false documents, forged signatures and copied confidential council-held information to create the false impression of a voluntary tenancy exchange for two council homes. Instead, the housing officer used the subsequent control over one property (that had supposedly been transferred to a new tenant), to fraudulently sub-let that property for £700 per month.
- The fraud came to the attention of the local authority as a result of an unrelated enquiry by the tenant of the fraudster to the council.
- The original tenant had returned the keys of the property to the council in 2010 and was now living abroad. He had no knowledge of the tenancy exchange, and his signature had been falsified on transfer documents.
- The housing officer was dismissed for gross misconduct, pleaded guilty to two offences of fraud by abuse of position and making and supplying articles for use in fraud. The fraudster was sentenced to two years and ten months' imprisonment.
- In 2014, a POCA confiscation hearing found the fraudster had obtained a lifestyle benefit of over £88,000. As a result, the council was awarded £16,631, representing half of the equity available on the fraudster's own property, which he jointly owned with his wife.

*Source: Audit Commission (2014)*

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- 18 Chartered Institute of Public Finance & Accountancy, Code of Fraud Risk Management, CIPFA, 2014

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# Protecting the Public Purse

## Fraud Briefing 2014

### Braintree District Council



# Purpose of Fraud Briefing



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



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



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



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

# Understanding the bar charts

Outcomes for the first measure for your council are highlighted in yellow in the bar charts. The results of your comparator authorities are shown in the green bars.



Outcomes for the second measure for your council are highlighted as a green symbols above each bar. The results of your comparator authorities are shown in the white triangles.



A ‘\*’ symbol has been used on the horizontal axis to indicate your council.

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

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

# Comparator group

Ashford  
Basildon  
Braintree  
Brentwood  
Castle Point  
Chelmsford  
Colchester  
Epping Forest  
Harlow  
High Peak  
Huntingdonshire  
Lichfield  
Maidstone  
Maldon  
Mendip  
Newark and Sherwood  
Rochford  
Rugby  
South Kesteven  
South Somerset  
Stafford  
Stroud  
Tendring  
Test Valley  
Uttlesford  
Wychavon

# Interpreting fraud detection results



Contextual and comparative information needed to interpret results



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



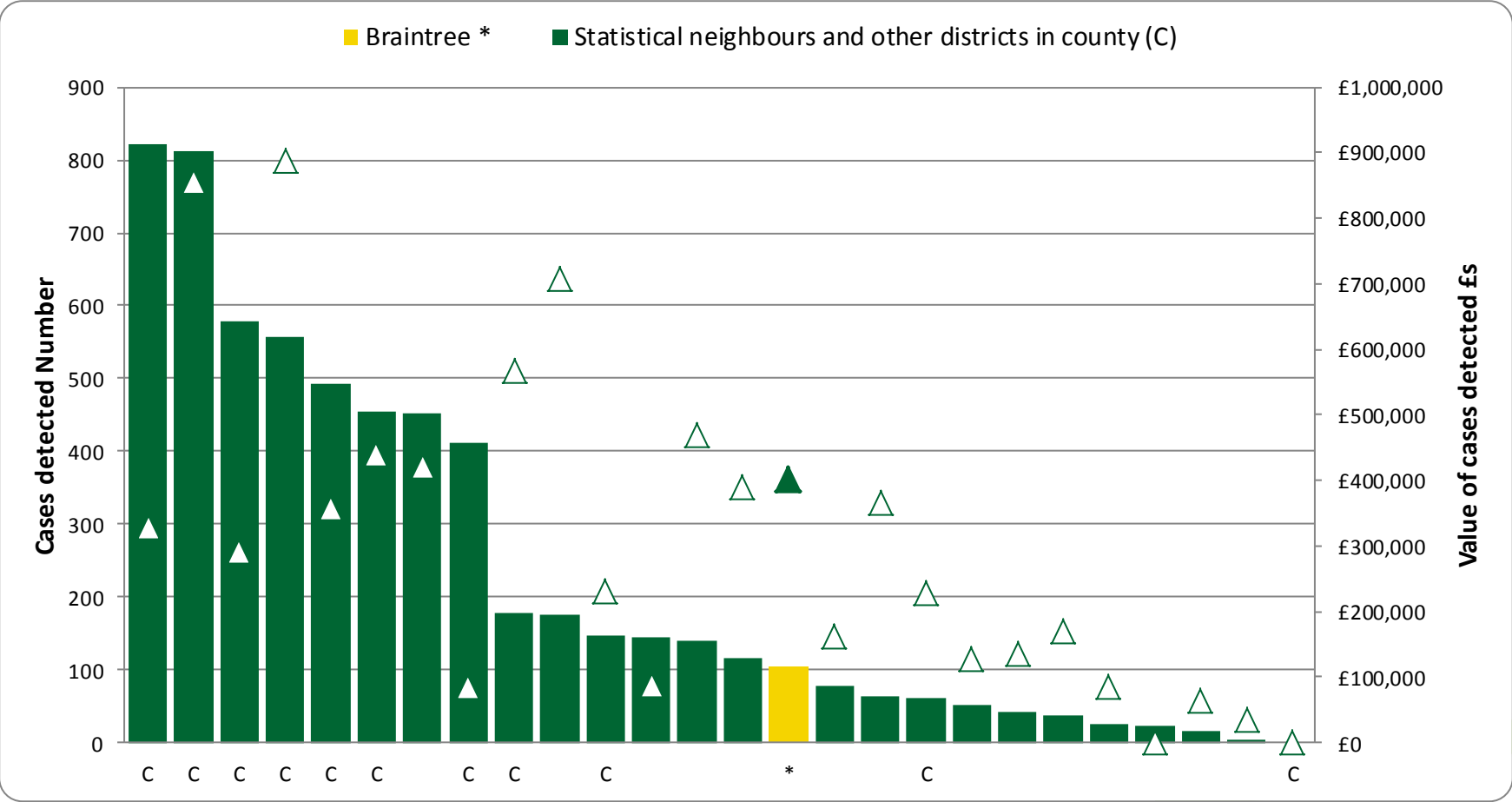
No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)



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

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

## Braintree



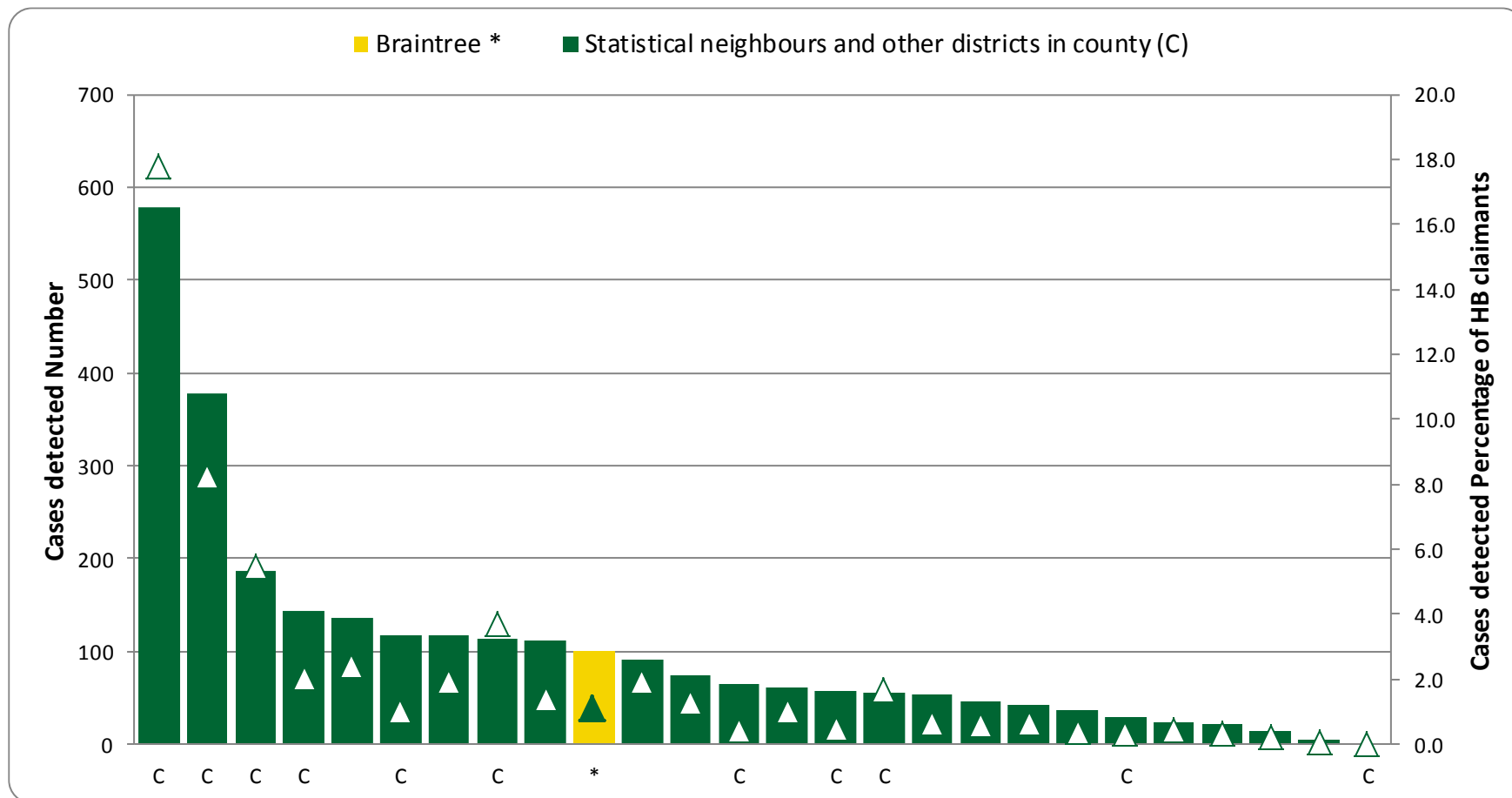
Braintree detected 103 cases #. The value of detected fraud was £399,614 #.  
Average for statistical neighbours and county: 235 cases, valued at £299,716



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

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

### Braintree



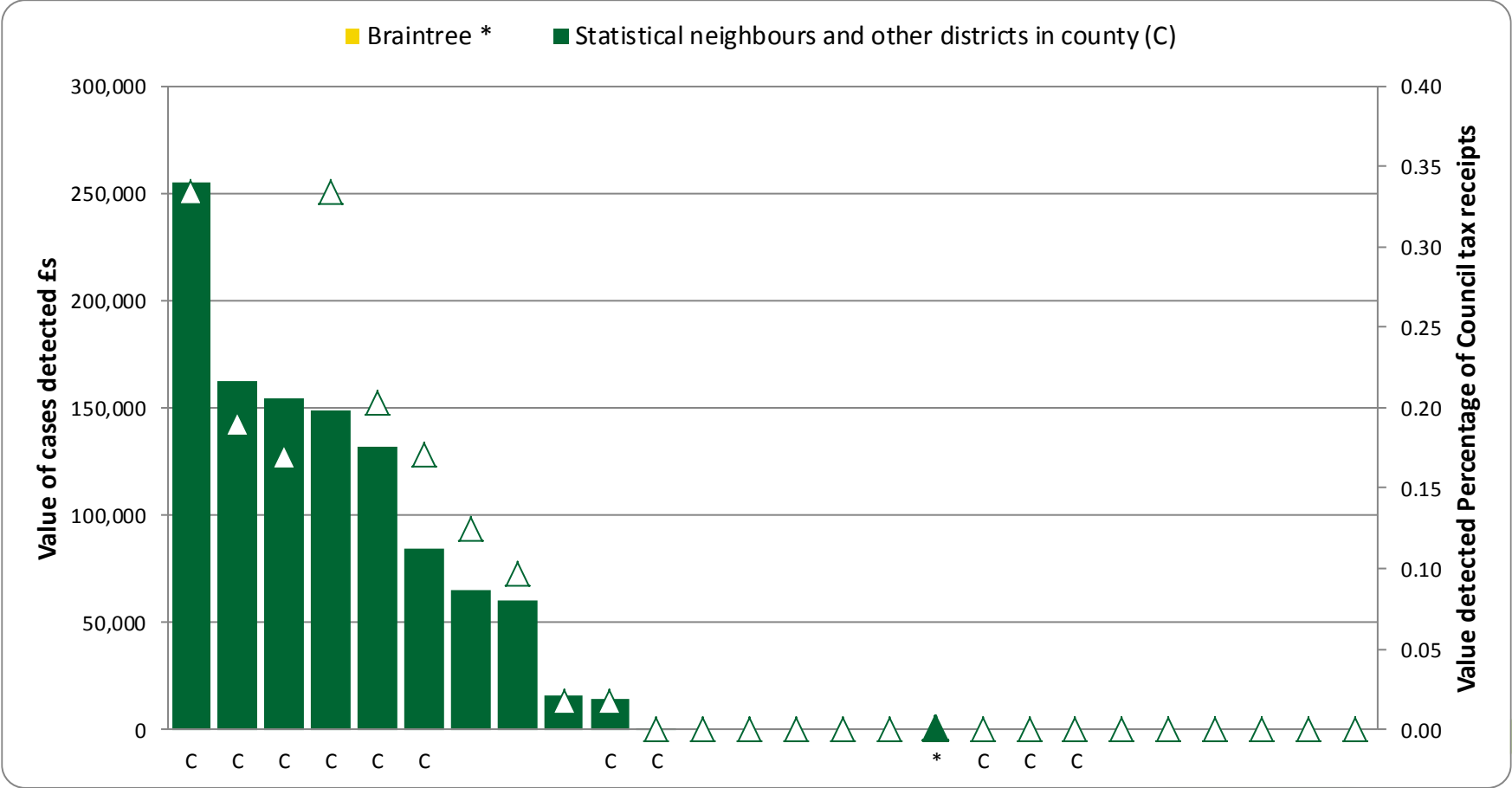
Braintree detected 100 cases of this type of fraud. The value of detected fraud was £398,614.

Average for statistical neighbours and county: 102 cases, valued at £246,569

# Council tax discount fraud 2013/14

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

### Braintree



Braintree detected 0 cases #.

Average for statistical neighbours and county: 132 cases, valued at £43,664

# Councils without housing stock 2013/14

## Housing tenancy fraud

4 per cent of social housing stock in London and 2 per cent outside London is subject to tenancy fraud

Second largest fraud loss to local government, £845 million

Combined with housing associations the total loss in England, £1.8 billion

The Prevention of Social Housing Fraud Act 2013: criminalises tenancy fraud

Councils have powers to investigate and prosecute tenancy fraudsters on behalf of housing associations

**Should you be using this legislation and powers to work in partnership with local housing associations?**

## Other frauds 2013/14

### Braintree

Procurement: Braintree did not detect any cases of this type of fraud.  
Total for statistical neighbours and county: 2 cases, valued at £350,640

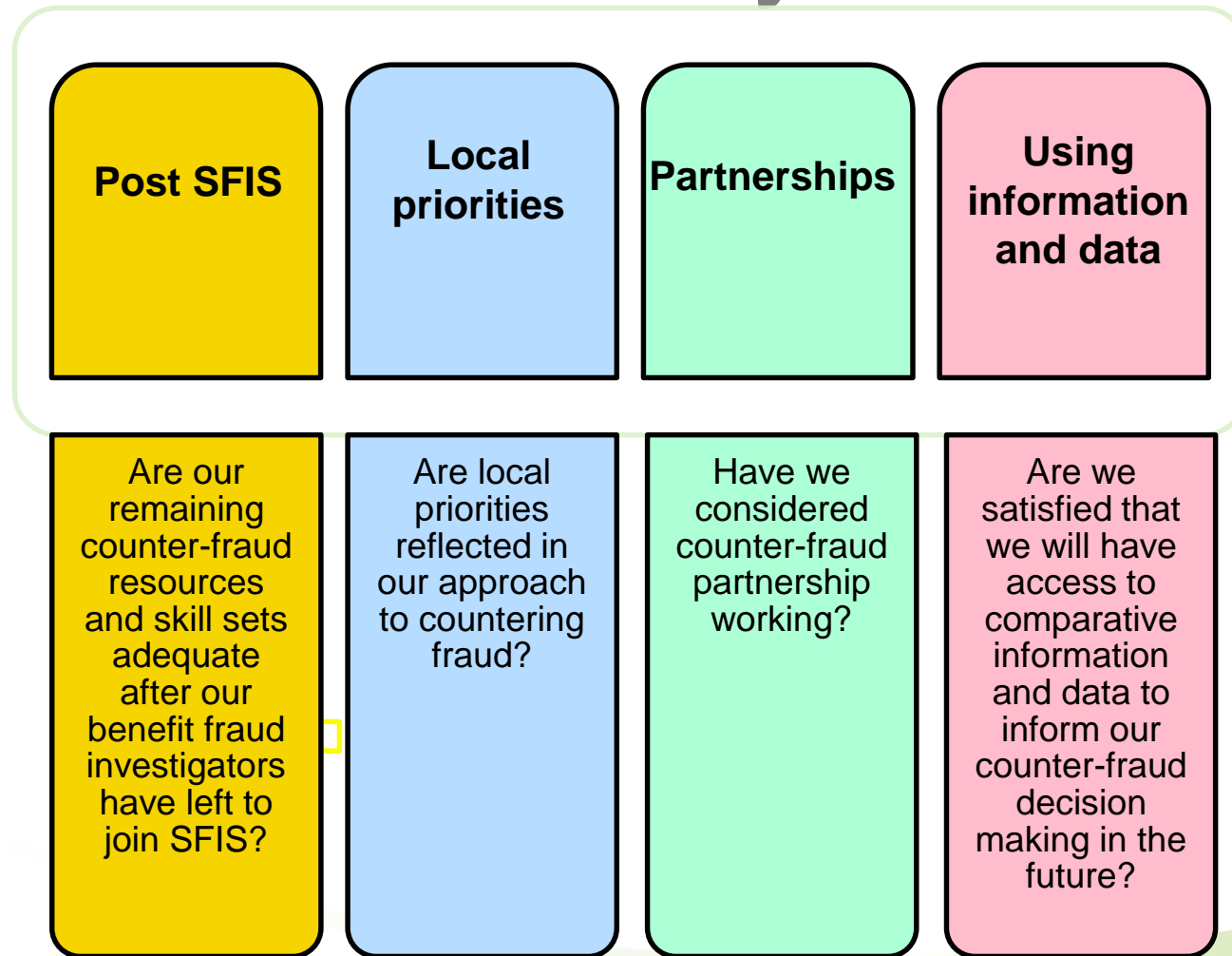
Insurance: Braintree did not detect any cases of this type of fraud.  
Total for statistical neighbours and county: 3 cases, valued at £99,225

Economic and third sector: Braintree did not detect any cases of this type of fraud.  
Total for statistical neighbours and county: 0 cases

Internal: Braintree detected 3 cases of this type of fraud. The value of detected fraud was £1,000.  
Total for statistical neighbours and county: 12 cases, valued at £359,591

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

# Questions elected members and decision makers may wish to ask



# Any questions?



**PROTECTING THE PUBLIC PURSE 2014**  
**FIGHTING FRAUD CHECKLIST FOR GOVERNANCE**

GENERAL	YES	NO
<p><b>1. Do we have a zero tolerance policy towards fraud?</b></p> <p>Counter Fraud Strategy approved by Governance Committee in March 2013.</p>	√	
<p><b>2. Do we have the right approach and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i>?</b></p> <p>Counter Fraud Strategy approved by Governance Committee in March 2013 which brings together our policies, plans and aligns to the <i>Fighting Fraud Locally</i>.</p>	√	
<p><b>3. Do we have dedicated counter-fraud staff?</b></p> <p>We have our dedicated Benefit Fraud Team and Internal Audit include in all aspects of their work.</p>	√	
<p><b>4. Do counter-fraud staff review all the work of our organisation?</b></p> <p>The Internal Audit Plan is produced on a risk analysis and Benefit Fraud covers Housing Benefit, Local Council Tax Support scheme.</p>	√	
<p><b>5. Does a councillor have portfolio responsibility for fighting fraud across the Council?</b></p> <p>Comes within the remit of the Cabinet Member for Performance and Efficiency.</p>	√	
<p><b>6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?</b></p> <p>Included in Audit Assignment reports, Internal Audit Annual Report and other ad-hoc reports as required.</p>	√	
<p><b>7. Have we received the latest Audit Commission fraud briefing presentation from our external auditor?</b></p> <p>To be received by Governance Committee 25<sup>th</sup> March 2015</p>	√	
<p><b>8. Have we assessed our management of counter-fraud work against good practice?</b></p> <p>Various checklists and control measures documents from a number of sources have been reviewed in line with our available resources.</p>	√	
<p><b>9. Do we raise awareness of fraud risks with:</b></p>		

<ul style="list-style-type: none"> <li>• <b>New staff (including agency staff)</b> – covered within staff Induction by Manager</li> <li>• <b>Existing staff</b> – periodic leaflets issued, fraud alerts to relevant staff and general fraud alerts to all staff, policies and procedures on Intranet</li> <li>• <b>Elected members</b> – policies on Members Portal, periodic leaflets issued and general fraud alerts if applicable</li> <li>• <b>Our contractors</b> – specific anti-collusion clauses in tender documents issued by Procurement</li> </ul>	✓	
<p><b>10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues</b></p> <p>National Anti-Fraud Network, DWP Fraud Investigation Service, Essex Audit Group, Cambridge Audit Group, Essex &amp; Hertfordshire Investigators Group, Local Authority Investigators Group, Essex Insurance &amp; Risk Group, Essex Insurance Officers Group, External Audit Commission.</p>	✓	
<p><b>11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters</b></p> <p>National Fraud Initiative, DWP Fraud Investigation Service, National Anti-Fraud Network, Essex Audit Group.</p>	✓	
<p><b>12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?</b></p> <p>From the Internal Audit assignments any control found not to be performing effectively is remedied with a time factor relevant to the level of risk.</p>	✓	
<p><b>13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?</b></p> <p>All matches, whether High, Medium or Low are reviewed with a report to the Governance Committee as appropriate. Results will also be included in the Internal Audit Annual Report for 2014/2015.</p>	✓	
<p><b>14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?</b></p> <p>Prevention of Money Laundering procedure available to staff on the Intranet.</p>	✓	
<p><b>15. Do we have effective arrangements for:</b></p> <ul style="list-style-type: none"> <li>• <b>Reporting fraud</b> – guidance within the Counter Fraud Strategy including Fraud, Corruption and Dishonesty Policy and Whistleblowing Policy.</li> <li>• <b>Recording fraud</b> – Fraud is recorded by the Audit, Insurance &amp; Fraud Manager.</li> </ul>	✓	
<p><b>16. Do we have effective Whistleblowing arrangements? In particular, are staff:</b></p> <ul style="list-style-type: none"> <li>• <b>aware of our whistleblowing arrangements?</b> – Whistleblowing Policy is available to staff on the Intranet. Awareness also included in the</li> </ul>	✓	



<p>Corporate Quality and Compliance reviews. Whistleblowing Policy is also available on the Council's website</p> <ul style="list-style-type: none"> <li><b>have confidence in the confidentiality of those arrangements?</b></li> </ul> <p>We have not been made aware that staff do not have confidence.</p> <ul style="list-style-type: none"> <li><b>confident that any concerns raised will be addressed?</b></li> </ul> <p>We have not been made aware that staff have concerns</p> <p><b>17. Do we have effective fidelity insurance arrangements?</b></p> <p>Policy in place which covers all staff but increased cover for specific senior posts.</p>	<p>√</p> <p>√</p> <p>√</p>	
<b>FIGHTING FRAUD WITH REDUCED RESOURCES</b>		
<p><b>18. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud once SFIS has been fully implemented?</b></p> <p>We will continuously monitor the situation following transfer to the SFIS</p> <p><b>19. Did we apply for a share of the £16 million challenge funding from DCLG to support councils in tackling non-benefit frauds after SFIS is on place and if so, are we using the money effectively?</b></p> <p>A pan-Essex submission was made but failed to obtain funding</p>	<p>√</p> <p>√</p>	
<b>CURRENT RISKS AND ISSUES</b>		
<b><i>Housing Tenancy</i></b>		
<p><b>20. Do we take proper action to ensure that we only allocate social housing to those who are eligible?</b></p> <p>Choice Based lettings covered as per the Audit Plan</p> <p><b>21. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?</b></p> <p>No housing stock to monitor</p>	<p>√</p> <p>N/a</p>	
<b><i>Procurement</i></b>		
<p><b>22. Are we satisfied our procurement controls are working as intended?</b></p> <p>The Internal Audit Plan is produced on a risk analysis and includes various aspects of procurement</p> <p><b>23. Have we reviewed our contract letting procedures in line with best practice?</b></p> <p>The Contract Procedural Rules are currently being reviewed and will include changes as required by The Public Contracts Regulations 2015</p>	<p>√</p> <p>√</p>	

<b>Recruitment</b>  <b>24. Are we satisfied our recruitment procedures</b> <ul style="list-style-type: none"> <li>• Prevent us employing people working under false identities</li> <li>• Conform employment references effectively</li> <li>• Ensure applicants are eligible to work in the UK</li> <li>• Require agencies supplying us with staff to undertake the checks that we require</li> </ul> <p>All checks currently undertaken</p>	   ✓ ✓ ✓ ✓	
<b>Council Tax Discount</b>  <b>25. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?</b>  <p>Canvass letters dispatched with follow-up investigation if necessary. Additional funding received from Essex CC for a 3 year fixed period to assist.</p>	   ✓	
<b>Housing Benefit</b>  <b>26. When we tackle housing benefit fraud do we make full use of:</b> <ul style="list-style-type: none"> <li>• National Fraud Initiative</li> <li>• DWP Housing benefit matching service</li> <li>• Internal data matching</li> <li>• Private sector data matching</li> </ul>	   ✓ ✓ ✓ ✓	
<b>Other Fraud Risks</b>  <b>Do we have appropriate and proportionate defences against the following fraud risks</b> <ul style="list-style-type: none"> <li>• <b>Business rates</b> Monitored by Revenues staff</li> <li>• <b>Council Tax reduction</b> Additional funding received from Essex CC for a 3 year fixed period to assist.</li> <li>• <b>Grants</b> The Internal Audit Plan is produced on a risk analysis and includes various grants issued</li> </ul>	   ✓ ✓ ✓	

Fraud & Error Discussions with those charged with Governance		Agenda No: 11
Portfolio Area:	Providing value for money	
Report presented by:	Lesley Day, Audit Insurance & Risk Manager	
Report prepared by:	Lesley Day, Audit Insurance & Risk Manager	
Background Papers:	Public Report	
Options: N/a	Key Decision: No	
Executive Summary:		
<p>BDO, as external auditors, are required by International Standards of Auditing (ISA) 240 to consider the risk of material fraud occurring, in the audit of financial statements. Those charged with governance (determined to be the Governance Committee at Braintree District Council) have oversight responsibility for systems for monitoring risk, financial control and compliance with the law and, therefore, BDO are required to discuss how this responsibility is exercised with the Committee.</p> <p>The ISA requires BDO to consider the answers to two specific questions, which are set out below together with the Committee’s responses last year.</p> <p>1. How do those charged with governance exercise oversight of management’s processes for identifying and responding to the risks of fraud in the entity and the internal control management that has been established to mitigate these risks?</p> <ul style="list-style-type: none"><li>• Annual Audit Plan and Risk Analysis</li><li>• Assignment Reports &amp; Reportable Recommendations monitor</li><li>• Fraud, Corruption &amp; Dishonesty Policy</li><li>• Whistleblowing Policy</li><li>• Annual Internal Audit Report</li><li>• Contract procedure Rules</li><li>• Financial procedure Rules</li><li>• Annual Governance Statement</li><li>• Review of the Strategic and Operational Risk Register</li><li>• Anti-Fraud Strategy</li></ul> <p>2. Details of any actual, suspected or alleged fraud affecting the entity of which those charged with governance are aware?</p> <p>None</p>		

<b>Decision:</b>  a) To inform the External Auditors that the responses detailed above are identical for this year or, b) To amend the responses if the Committee considers necessary.
<b>Purpose of Decision:</b>  To advise the External Auditors of the Committee's response to the questions raised in relation to the International Standards of Auditing 240

<b>Any Corporate implications in relation to the following should be explained in detail</b>	
<b>Financial:</b>	N/a
<b>Legal:</b>	N/a
<b>Equalities/Diversity</b>	N/a
<b>Customer Impact:</b>	N/a
<b>Environment and Climate Change:</b>	N/a
<b>Consultation/Community Engagement:</b>	N/a
<b>Risks:</b>	N/a
<b>Officer Contact:</b> Lesley Day	
<b>Designation:</b>	Audit, Insurance & Fraud Manager
<b>Ext. No.</b>	2821
<b>E-mail:</b>	lesley.day@braintree.gov.uk

Governance Committee Annual Report 2014/2015		Agenda No: 12
Corporate Priority:	Providing value for money	
Report presented by:	Lesley Day, Audit Insurance & Risk Manager	
Report prepared by:	Lesley Day, Audit Insurance & Risk Manager	
Background Papers: Governance Committee Reports	Public Report	
Options: N/a	Key Decision:  No	
<b>Executive Summary:</b>		
To present to the Governance Committee a report summarising its activities during the 2014/2015 civic year with a view to the report being presented at Council.		
The report includes details of the routine audit and accounts business that came before the Committee together with the annual cycle of governance reports.		
<b>Decision:</b>		
Members are recommended to:		
a) Consider the report and make any amendments as necessary and		
b) Approve the report to be presented to Council		
<b>Purpose of Decision:</b>		
To agree a report on the Committee's activities during 2014/2015 and to approve its presentation to Council.		

**Any Corporate implications in relation to the following should be explained in detail**

<b>Financial:</b>	None
<b>Legal:</b>	None
<b>Equalities/Diversity</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	None
<b>Officer Contact:</b>	Lesley Day
<b>Designation:</b>	Audit, Insurance & Risk Manager
<b>Ext. No.</b>	2821
<b>E-mail:</b>	lesley.day@braintree.gov.uk

The following activities were considered by the Committee during 2014/2015:

## **AUDIT & GOVERNANCE**

### **Report: Annual Governance Statement 2013/2014**

Received for approval the Annual Governance Statement for incorporation into the Statement of Accounts. Regulation 4 of the Accounts and Audit Regulations 2003 require "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

### **Report: Annual Internal Audit Report 2013/2014**

Received the Annual Report on Internal Audit Activity for 2013/2014.

### **Reports: Internal Audit Activity (quarterly)**

Received and noted details of the audit assignments completed together with status updates in respect of Reportable Recommendations.

### **Report: Annual Audit Letter 2013/2014**

Received the external auditor's Annual Audit Letter covering the Council's financial audit. The Committee receives the report on behalf of the Council and may make observations to Cabinet who can decide to take action to make improvements based on the external auditor's assessment.

### **Report: Internal Audit Strategic Plan 2015/2019**

Received and approved the Internal Audit four year plan supported by Risk Assessment.

### **Reports: External Audit Plan 2014/2015**

### **Report: Grant Claim Certification year end 31/03/14**

Received a report from the external auditor summarising the main issues arising from the certification of grant claims for the financial year ending 31st March 2014.

### **Report: Public Sector Internal Audit Standards**

Received and noted the assessment of Internal Audit against PSIAS.  
Approved the Internal Audit budget and resource plan for 2015/2016

### **Report: Protecting the Public Purse 2014**

Acknowledged the Audit Commission's publication and received details of the counter fraud arrangements in place.

## **RISK MANAGEMENT**

### **Report: Strategic Risks**

Received two reports detailing reviews undertaken of the Council's Strategic Risk Register by Management Board and Cabinet together with details of how the significant business risks are being monitored and managed by Management Board in line with the Council's Risk Management Strategy.

### **Report: Operation Risks**

Received details of the annual review of the Council's Operational Risks.

## **MONITORING AND FINANCE**

### **Report: Receipt of the Statement of Accounts for 2013/14 together with the External Auditor's Final Report to Governance Committee**

Considered and approved the Statement of Accounts for 2013/2014 having received details of the external auditors' annual governance report.

The external auditor's report is presented to the Governance Committee in accordance with the provisions of International Standards on Auditing (UK & Ireland) 260 Communication with Those Charged with Governance, ISA 265 Communicating Deficiencies in Internal Control and Management, and the Audit Commission's Code of Audit Practice

### **Reports: Quarterly Performance Management Reports and Briefings**

Received and noted the quarterly Performance Management Reports. In addition, the Committee received briefings covering Performance and Project governance, Change Control process and Covalent reporting system

### **Reports: Financial Indicators (quarterly)**

Received and noted details of key financial indicators.

### **Report: Treasury Management Annual Report 2013/2014 and Mid-Year Report 2014/2015**

Noted and advised Cabinet to accept the reports.

### **Report: Treasury Management Strategy Statement 2015/2016**

Reviewed and provided comments on the draft Strategy prior to its submission to Cabinet.

## **STANDARDS**

Received the Monitoring Officer's Annual Standards Report for 2014



## **COMMITTEE OPERATION**

Completed a Committee self-assessment checklist and produced an action plan as required.

### **Other reports received**

**Single Fraud Investigation Service (SFIS)** - Noted the current situation regarding transfer to the Single Fraud Investigation Service on 1<sup>st</sup> September 2015

**Fraud & Error Discussions** - External auditor's discussion with those charged with governance on fraud and error.

<b>Governance Committee Self-Assessment</b>		<b>Agenda No: 13</b>
<b>Corporate Priority:</b> An organisation that delivers value <b>Report presented by:</b> Lesley Day, Audit Insurance & Fraud Manager <b>Report prepared by:</b> Lesley Day, Audit Insurance & Fraud Manager		
<b>Background Papers:</b>		<b>Public Report</b>
Audit Committees – Practical Guidance for Local Authorities		
<b>Options:</b>		<b>Key Decision:</b>
To complete or not the self-assessment		<b>No</b>
<b>Executive Summary:</b>  <p>This self-assessment is part of a toolkit which has been produced to build on the work already done by CIPFA and the guidance provided in its publication <i>Audit Committees – Practical Guidance for Local Authorities</i>. The toolkit is intended to provide a more detailed set of advice, give examples and suggest good practice to assist both officers and members who are involved in the establishment and operation of an audit (governance) committee.</p> <p>The majority of the self assessment (appendix 1) has been completed but there are remaining parts where members of the Governance Committee need to give their opinion and to identify any areas where an improvement plan may be necessary.</p> <p>The Governance Committee may wish to consider a separate self-assessment in relation to its responsibilities for Standards.</p>		
<b>Decision:</b> <ol style="list-style-type: none"> <li>1. To review the sections of the self-assessment that have been completed to date.</li> <li>2. To determine the Committee's responses to the remaining issues in the self assessment.</li> <li>3. Identify future training needs as appropriate.</li> <li>4. To determine whether a separate self-assessment in relation to the Committee's responsibilities for Standards is required.</li> </ol>		
<b>Purpose of Decision:</b> To assist Governance Committee Members with advice and good practice in carrying out the self-assessment.		

Corporate implications (should be explained in detail)	
<b>Financial:</b>	None
<b>Legal:</b>	None
<b>Equalities/Diversity</b>	None
<b>Customer Impact:</b>	None
<b>Environment and Climate Change:</b>	None
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	None
<b>Officer Contact:</b>	Lesley Day
<b>Designation:</b>	Audit Insurance & Fraud Manager
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## CIPFA: SELF-ASSESSMENT CHECKLIST

### MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE March 2015

ISSUE	YES	NO	N/A	COMMENT
<b>Terms of Reference</b>				
Have the committee's terms of reference been approved by full council?	√			
Do the terms of reference follow the CIPFA model?	√			
<b>Internal Audit Process</b>				
Does the committee approve the strategic audit approach and the annual programme?	√			Approved by Governance Committee – 25th March 2015
Is the annual report, from the head of audit, presented to the committee?	√			Presented to Governance Committee – 2 <sup>nd</sup> July 2014
Are summaries of quality questionnaires from managers reviewed?			√	No questionnaires issued following individual audits.
Is the work of internal audit reviewed regularly?	√			Quarterly activity reports submitted to the Governance Committee together with a Reportable recommendations monitor
<b>External Audit Process</b>				
Are reports on the work of external audit and other inspection agencies presented to the committee?	√			All external auditors and other inspection agency reports submitted to Governance Committee
Does the committee input into the external audit programme?	√			Presented to Governance Committee by external auditor
Does the committee take a role in overseeing: <ul style="list-style-type: none"> <li>Risk management strategies</li> <li>Internal control statements</li> <li>Anti-fraud arrangements</li> <li>Whistle-blowing strategies</li> </ul>	√ √ √ √			Strategic Risk Management review reports twice per annum and operational risks report annually. Annual Governance Statement submitted for approval Various policies approved by Committee, annually reviewed by Audit, Insurance & Fraud Manager and reference included in Annual Internal Audit Report submitted to the Governance Committee

<b>Membership</b>				
Has the membership of the committee been formally agreed and a quorum set?	√			Approved at the Council AGM
Is the chair free of executive or scrutiny functions?	√			
Are members sufficiently independent of other key committees of the council?	√			<b>Cllr Johnson</b> Licensing Committee <b>Cllr Santomauro</b> Braintree United Charities <b>Cllr Money</b> Local Plan Sub-Committee Witham Park Management Advisory Group Witham United Charities Maltings Lane Forum <b>Cllr Rice</b> First Stop Group (New Directions) <b>Cllr Thompson</b> Maltings Lane Forum
Have all members' skills and experiences been assessed and training given for identified gaps?				
Can the committee access other committees as necessary?	√			No limitations are in force
<b>Meetings</b>				
Does the committee meet regularly?	√			4 meetings per financial year timed to coincide with various deadlines and external audit reports
Are separate, private meetings held with the external auditor and the internal auditor?	√			The opportunity remains should the Internal Audit or External Audit Managers request such.
Are meetings free and open without political influences being displayed?	√			Refer to minutes of Governance Committee meetings
Are decisions reached promptly?	√			Refer to minutes of Governance Committee meetings
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	√			

Does the committee have the benefit of attendance of appropriate officers at its meetings?	√			All appropriate officers attend each Governance Committee meeting
<b>Training</b>				
Is induction training provided to members?	√			
Is more advanced training available as required?				
<b>Administration</b>				
Does the authority's s151 officer or deputy attend all meetings?	√			Corporate Director or Head of Finance attends all meetings
Are the key officers available to support the committee?	√			Committee members have access to all key officers

<b>Forward Look – Twelve months to March 2016</b>		<b>Agenda No: 14</b>
<b>Corporate Priority:</b> An organisation that delivers value <b>Report presented by:</b> Trevor Wilson, Head of Finance <b>Report prepared by:</b> Trevor Wilson, Head of Finance		
<b>Background Papers: None</b>		
<b>Options:</b>		<b>Public Report</b>
		<b>Key Decision:</b> <b>No</b>
<b>Executive Summary:</b>  To present to Governance Committee the report schedule for the year with a brief summary of each report so that Members can see the routine audit and accounts business that will come before the Committee in each cycle together with the annual cycle of governance reports.  There may be ad-hoc reports added, either at the request of members, the external auditor or from officers, during the year.		
<b>Decision:</b>  Members are asked to note the report schedule for the next twelve month period.		
<b>Purpose of Decision:</b> To agree the work and reports which will be undertaken and presented to the Governance Committee over the coming 12 months.		

Any Corporate implications in relation to the following should be explained in detail	
<b>Financial:</b>	None
<b>Legal:</b>	None
<b>Equalities/Diversity</b>	None
<b>Customer Impact:</b>	None
<b>Environment and</b>	None

<b>Climate Change:</b>	
<b>Consultation/Community Engagement:</b>	None
<b>Risks:</b>	None
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## Report Schedule

<b>Date</b>	<b>Report</b>	<b>Summary</b>
<b>June/July 2015</b>	Annual Governance Statement 2014/15	To present for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 4 of the Accounts and Audit Regulations 2003 requires "The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".
	Internal Audit Annual Report	To present the Annual Report on Internal Audit for 2014/15
	Financial Indicators report	To present details of key financial indicators for the year to May 2015.
	Risk Management – Operational Risks	Details of the annual review of the Council's Operational Risks.
	Risk Management – Strategic Risks Report	To provide a copy for information of the Cabinet Report on the Council's Strategic Risk Register which details significant business risks being monitored and managed by Management Board in line with the Council's Risk Management Strategy.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
<b>September 2015</b>	Receipt of the Statement of Accounts for 2014/15 together with the External Auditor's Final report to Governance Committee	To consider and approve the Statement of Accounts for 2014/15, which will have been subject to external audit. The draft Statement of Accounts is due to be certified by Corporate Director, by 30 <sup>th</sup> June 2015. The external auditor's report provides a summary of the work the external auditor has carried out during their audit of accounts. The conclusions they have reached and the recommendations they



		have made to discharge their statutory audit responsibilities are reported to those charged with governance at the time they are considering the financial statements. In preparing their report, the Code of Audit Practice requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 ‘Communication of Audit Matters to Those Charged With Governance’.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Treasury Management Strategy – review of 2014/15 and current year to date	To present a year-end report and mid-year report on delivery and performance of the Treasury Strategy for 2014/15 and 2015/16.
	Financial Indicators report	To present details of key financial indicators for the year to July 2015.
<b>January 2016</b>	Annual Audit Letter 2014/15	To present the Annual Audit Letter covering the Council's financial audit. The Committee receives the report on behalf of the Council and may make observations to Cabinet who can decide to take action to make improvements based on the external auditor's assessment.
	Grant Claim Certification for year ended 31st March 2015	To receive external auditors report
	Draft Treasury Management Strategy 2016/17	To present the draft Treasury Management Strategy for 2016/17. The Governance Committee to review and make observations on the draft to the Cabinet, which will then present the Strategy to Full Council for approval in February 2016.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Financial Indicators report	To present details of key financial indicators for the year to November 2015.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.
	Risk Management – Strategic Risks Report	To provide a copy for information of the Cabinet Report on the Council's Strategic Risk Register which details significant

		business risks being monitored and managed by Management Board in line with the Council's Risk Management Strategy.
	Standards Annual Monitoring Officers Report on the Standards Framework	
<b>March 2016</b>	Strategic Audit Plan 2017/2020	To present the Strategic Internal Audit Plan for the four year period.
	Internal Audit Activity report	To present details of the completed audit assignments.
	Governance Committee Annual Report	To consider the Committee's Annual report for 2015/16
	Governance Committee self-assessment	For members to undertake an evaluation of the Committee's effectiveness.
	Financial Indicators report	To present details of key financial indicators for the year to February 2016.
	Quarterly Performance Report	To provide a copy for information of the Cabinet Report advising of progress on projects, performance indicators and the forecast position on revenue spending and the capital programme.