

GOVERNANCE COMMITTEE AGENDA



THE PUBLIC MAY ATTEND THIS MEETING

Please note this meeting will be audio recorded.

Date: Thursday, 2nd July 2015

Time: 7.15pm

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

Membership:

Councillor M Dunn

Councillor J Elliot (Chairman)

Councillor J Goodman

Councillor D Hufton-Rees

Councillor Miss V Santomauro (Vice Chairman)

Councillor Miss M Thorogood

Councillor R van Dulken

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

PUBLIC SESSION

Page

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 25th March 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

5 Key Financial Indicators – 31st May 2015

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Audit and Governance

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Risk Management

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Committee Operation

15	Forward Look – Twelve months to June 2016	217 - 221
16	Urgent Business - Public Session 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.	
17	Exclusion of the Public and Press 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. <i>At the time of compiling this agenda there were none.</i>	

PRIVATE SESSION

18 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 e-mail demse@braintree.gov.uk

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 Council's Governance and Members team on 01376 552525 or email 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:

Key Financial Indicators – 31st May 2015		Agenda No: 5
Corporate Priority: Deliver excellent, cost effective and valued services Report presented by: Trevor Wilson, Head of Finance Report prepared by: Trevor Wilson, Head of Finance		
Background Papers: Agenda item 10 Audit Panel 21 st September 2006		Public Report
Options: To accept or request further clarification on the financial performance indicators recorded as at 31 st May 2015.		Key Decision: No
Executive Summary: <p>The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 31st May 2015.</p> <p>Commentary:</p> <p>a) The net General Fund revenue budget for the year is £15.62million. The net expenditure incurred for the two months to 31st May was £2.047million. This represents an underspend of £154,000 compared to the profiled budget of £2.201million. The first assessment of spend and income for the year will be undertaken at the end of the first quarter, this is because the Finance team are focussed on the closure of the accounts for 2014/15 until June.</p> <p>b) The total budget for Salaries for the year is £14.425million. Expenditure on salaries for the first two months of the year was £2.366million. This compares to a profiled budget of £2.386million. The underspend of £20,000 is after allowing for £54,300 of the Efficiency Factor (£325,880 for the year). This is due primarily to a number of vacancies in the Development Department.</p> <p>c) Expenditure on capital projects, to the end of May, was £0.269million against the Capital Programme for 2015/16 of £9.294million. The majority of the expenditure has been on the construction of the new units at Springwood Drive, Braintree.</p> <p>d) The total Council Tax collectable debit for the year is £75.46million. The collection rate as at the end of May is 21.3% (£16.07million collected), which compares to a rate of 21.45% for the same period last year, a decrease of 0.15%.</p> <p>e) The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £43.28million. The collection rate as at the end of May is 19.9% (£8.61million), which compares to a rate of 22.0% for the same period last year. The rate is 2.1% lower than the previous year. The reason is currently being investigated but in part this will be due to the increase in the number of business premises added</p>		

over recent months to the Rating List and for which payment plans cover outstanding rates from previous years (where backdating applicable) plus an element toward the 2015/16 liability. In addition, some recent revaluations issued by the Valuation Office Agency, have also resulted in an increase to the forecast business rate income but payments are as yet to commence to meet the increase.

- f) A total of 146 write-offs of Council Tax, with a value of £23,634, have been authorised in the year to 31st May: 10 in respect of the current year and 136 in respect of previous financial years.
- g) A total of 23 write-offs of Business Rates, with a value of £38,175, have been authorised in the year to 31st May: 2 in respect of the current year and 21 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 £3.465million, of which £1.608million was in respect of Housing Benefit overpayments. The target for 2015/16 is to reduce the debt outstanding, excluding Housing Benefit overpayments, Museum Trust debt and invoices raised in March in respect of 2016/17, to £600,000 or less by 31st March 2016.
- i) Sundry debts, excluding housing benefit overpayments, were £1.857million at the end of May. This reduces to £0.973million after allowing for large value 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 0.44%. This return was achieved on an average amount invested of £30.95million and relates solely to monies placed with banks, building societies, the Debt Management Office and in Money Market Funds.
- k) Dividends received in April and May total £27,257 in respect of the investment of £10million in three equity funds (Threadneedle, M & G and Schroders) and one property fund (CCLA). The market values of these pooled funds show a net increase for the financial year of £232,702 as at 31st May 2015. These investments have been placed on the basis that the monies will not be required for at least 3 years.
- l) Detail of the Council's investments of surplus monies, totalling £40.95million as at 31st May 2015, is provided at Appendix B.
- m) The Council, together with a number of other councils, is participating in a group sale of its Icelandic Krona, held in an escrow account in an Icelandic Bank, to Deutsche Bank. Once completed this will then leave final dividend payments (estimated at £30,000) to be received from the winding-up of Kaupthing, Singer and Friedlander bank.

Decision:	
Members are asked to accept the report of the Key Financial Indicators as at 31 st May 2015.	
Purpose of Decision:	
To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.	
Corporate implications [should be explained in detail]	
Financial:	<p>The first assessment of the anticipated outturn for 2015/16 on the Council's revenue account will be undertaken as at the end of the first quarter, 30th June 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>
Legal:	None
Safeguarding:	None
Equalities/Diversity	None
Customer Impact:	No direct impact but process of monitoring financial performance provides assurance of this element of the Council's governance arrangements.
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	Regular consideration of a suite of Financial Health Indicators is recommended good practice
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No.	2801
E-mail:	Trevor.wilson@braintree.gov.uk

Key Financial Indicators at 31st May 2015
APPENDIX A

	Full Year Budget 2015/16	Actual as at 31 May 2015	Profile to 31 May 2015	Variance from Profile	
	£'000	£'000	£'000	£'000	%
General Fund - Revenue (Controllable)	15,624	2,047	2,201	-154	-7.0%
Capital Programme (Excl. capital salaries incl. below)	9,294				
General Fund - Salaries	14,425	2,366	2,386	-20	-0.8%

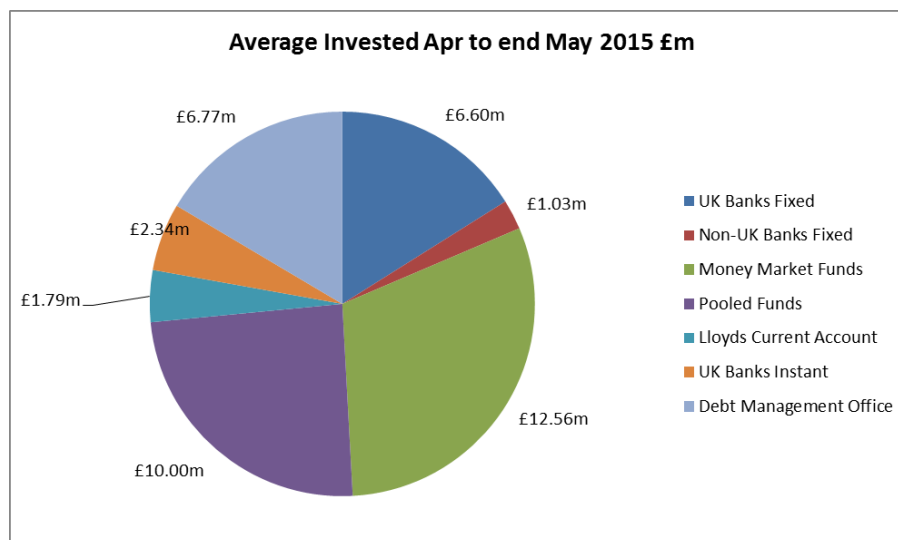
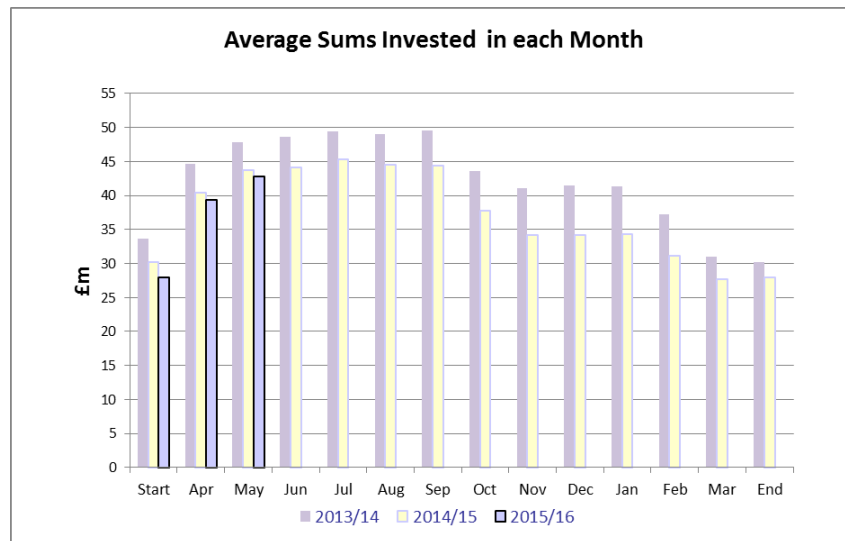
	Full Year Target	Actual as at 31 May 2015	Actual as at 31 May 2014	Variance
Council Tax collection in year - %	98.00%	21.30%	21.45%	-0.15%
Council Tax collection - income collected for year - £m		£75.46	£74.21	£1.25
Write-offs in year (April to May) - £'000		£2	£2	£1
Write-offs in year - (April to May) - number		10	10	0
Write-offs all years (April to May) - £'000		£24	£60	-£36
Write-offs all years - (April to May) - number		146	192	-46
Business Rates collection in year - %	98.50%	19.90%	22.01%	-2.11%
Business Rates collected for year - £m		£43.28	£41.91	£1.37
Write-offs in year (April to May) - £'000		£1	£0	£1
Write-offs in year - (April to May) - number		2	0	2
Write-offs all years (April to May) - £'000		£38	£36	£2
Write-offs all years - (April to May) - number		23	38	-15
Creditors - payment of invoices within 30 days of receipt	98.5%	99.2%	99.1%	0.7%

Debtors - Balance Outstanding	31-Mar-13	31-Mar-14	31-Mar-15	31-May-15	Variance Mar. to May
	£'000	£'000	£'000	£'000	%
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	17	239	334	192	-42.5
Capital Projects - currently - development site, east of High Street, Halstead	3	4	8	10	25.0
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	9	24	37	112	202.7
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	5	156	1	24	2300.0
Development	23	24	257	237	-7.8
Finance	411	360	36	69	91.7
Leisure	261	258	234	326	39.3
Operations	785	484	984	800	-18.7
Housing	89	113	89	87	-2.2
Sub-Total - excluding Hsg. Benefits	1,603	1,662	1,980	1,857	-6.2
Housing Benefits	851	1,188	1,620	1,608	-0.7
Total	2,454	2,850	3,600	3,465	-3.8
Target for 2015/16 is for Debt Outstanding (excluding Housing Benefits, Museum Trust debt, charging orders and large value invoices raised in final days of March 2016) to be £0.6million by 31 March 2016.				973	
Profile by Recovery Stage:					
Invoice	1,526	1,238	2,078	1,838	
Reminder	210	291	254	441	
Final Notice	164	348	198	180	
Pre-legal	105	453	424	344	
Enforcement Agent	403	446	406	419	
Tracing Agent	4	33	15	6	
Charging Order	42	41	35	36	
Attachment to Benefits			190	201	
Total	2,454	2,850	3,600	3,465	
Write-offs in month - value - £'000	£0.2	-£0.3	£1.8	£5.2	
Write-offs in month - number	7	19	35	41	
Write offs in year - value - £000	£43	£8.3	£28.0	£6.2	
Write-offs in year - number	533	386	492	65	

Progress on achieving Efficiency Savings Targets

The amount of the Efficiency Savings target included in the budget for 2015/16 is a net amount of £325,880. The overspend on salaries of £20,000, recorded above, is after offsetting £54,300 of the target.

Treasury Management Monthly Monitor for the period April – May 2015



- **Average sum invested in May £42.78m** (Last year £43.73m)
- **Average sum invested for the year to date £41.09m** (Last year £42.13m)
- **Actual sum invested at 31 May 2015 £40.95m** (Last year £41.50m)
- **Interest accrued on instant access accounts, fixed term deposits, and MMF** to the end May **£30,517** (compared to a full year Budget of £70,000) representing a **return of 0.44%** equivalent to the average 3mth LIBID rate for the same period
- **Dividends** from Pooled Funds received to date: **£27,257.12 (Equity Funds)**. Further dividend of £66,108 (est.) declared and receivable at a later date.
- **Market valuation** at end of May for all Pooled Funds is a **net +£646,972** since **initial investment** and a **net +£232,702** since the **start of this financial year**.
- During May a **new investment of £2m** was made into the **Royal London Cash Plus Fund** (a variable NAV MMF to be used for monies held 9-12mths) currently earning around **0.74%**
- **ISK escrow** –Proposal received from Deutsche Bank re potential sale of ISK escrow balance.

APPENDIX B

Investment Activity		Previous Months		This Month		
	1 April 2015 £m	Made £m	Sold £m	Made £m	Sold £m	End May 2015 £m
<i>Long-Term Investments:</i>						
Property Fund	2.00	-	-	-	-	2.00
Equity Funds	8.00	-	-	-	-	8.00
Sub-Total	10.00	-	-	-	-	10.00
<i>Fixed Term Deposits:</i>						
UK Banks & Building Societies	5.00	2.00	-1.50	3.50	-	9.00
Non UK Banks	0.00	-	-	3.00	-	3.00
UK Debt Management Office	0.00	23.00	-15.00	4.00	-11.00	1.00
Sub-Total	5.00	25.00	-16.50	10.50	-11.00	13.00
<i>Instant Access Deposits:</i>						
Money Market Funds - CNAV	10.00	2.00	-	-	-	12.00
Money Market Funds – VNAV	-	-	-	2.00	-	2.00
UK Bank Instant Access Account	2.00	0.00	-	1.00	-	3.00
Lloyds Current Account*	0.96	0.26	-	-	-0.27	0.95
Sub-Total	12.96	2.26	-	3.00	-0.27	17.95
Total	27.96	27.26	-16.50	13.50	-11.27	40.95

* Net Movement in period

INVESTMENT PORTFOLIO AS AT 31 MAY 2015							Maturity Profile £m				
	Ref	£m	% rate	Type	Placed	Maturity	Liquid	Jun-15	Jul-15	Aug-15	Longer
UK Banks		9.95									
Santander Group											
Santander UK PLC	1127	3.00	0.40%	Instant	Variable	Instant	3.00				
Lloyds TSB Group											
Lloyds Current Account	N/A	0.95	0.40%	Instant	Variable	Instant	0.95				
Bank of Scotland PLC	3217	2.00	0.57%	Fixed	14-Apr-15	14-Jul-15			2.00		
Bank of Scotland PLC	3246	1.00	0.57%	Fixed	11-May-15	19-Aug-15				1.00	
Barclays Bank PLC											
Barclays Bank PLC	3174	1.50	0.510%	Fixed	4-Mar-15	4-Jun-15		1.50			
Barclays Bank PLC	3247	1.50	0.530%	Fixed	11-May-15	19-Aug-15				1.50	
UK Building Societies		3.00									
Nationwide Building Society											
Nationwide Building Society	3159	2.00	0.50%	Fixed	19-Mar-15	19-Jun-15		2.00			
Nationwide Building Society	3245	1.00	0.51%	Fixed	11-May-15	19-Aug-15				1.00	
Other Local Authorities		0.00									
UK Debt Management Office		1.00									
UK Debt Management Office	3250	1.00	0.25%	Fixed	29-May-15	17-Jun-15		1.00			
Non UK Institutions		3.00									
Australia & New Zealand Banking Corp											
Australia & New Zealand Banking Corp	3248	3.00	0.48%	Fixed	11-May-15	12-Aug-15				3.00	
Money Market Funds		14.00									
Goldman Sachs	2651	4.00	Variable	Instant	16-Nov-09	Instant	4.00				
Deutsche Sterling	2856	4.00	Variable	Instant	4-Aug-10	Instant	4.00				
Ignis Liquidity	2857	4.00	Variable	Instant	4-Aug-10	Instant	4.00				
Royal London Cash Plus	3249	2.00	Variable	Instant	15-May-15	Instant	2.00				
Pooled Funds		10.00									
CCLA Property Fund	8228	2.00	Variable	Lterm	30-Oct-14	Lterm					2.00
Threadneedle UK Equity	8229	3.00	Variable	Lterm	3-Nov-14	Lterm					3.00
M & G Global Dividend	8230	2.50	Variable	Lterm	3-Nov-14	Lterm					2.50
Schroders Income Maximiser	8231	2.50	Variable	Lterm	3-Nov-14	Lterm					2.50
		40.95					17.95	4.50	2.00	6.50	10.00

Internal Audit – Activity Report for the period to 31 st May 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: No	
N/a		
Executive Summary:		
To provide Members with details of and outcomes from the audit assignments completed during the period 13 th December 2014 to 31 st May 2015. This includes for each assignment:		
<ul style="list-style-type: none">the key controls coverednumber of recommended action points and their priorityaudit opinionbrief details of the high priority recommendations (if applicable)		
An update on the Reportable Recommendations is also attached.		
Decision:		
To accept the activity report for the period 13 th December 2014 to 31 st May 2015		
Purpose of Decision:		
To advise Members of the audit assignments completed for the period 13 th December 2014 to 31 st May 2015		

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

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

INTERNAL AUDIT
COMPLETED ASSIGNMENTS to 31st May 2015

Type 2014/2015	Topic	Days Taken	Recommend -ations			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"> 1. All benefits claims are captured and recorded in the system for processing. 2. Benefit awarded is supported by a valid claim. 3. Benefit awarded is correctly calculated. 4. Payments are made only in respect of awarded benefits. 5. Expenditure and payments are properly recorded. 6. Overpaid benefit is properly recorded. 7. There is adequate segregation in the assessment and payment process. 8. Fraud & Corruption checklist. 9. Information security management. 10. Operational Risk Register reviewed 			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"> 1. Only authorised staff may commit the organisation to expenditure. 2. Invoices are processed only when the goods or services have been received and at the correct amount. 3. All expenditure incurred is accurately and completely recorded. 4. Payments are made only in respect of approved invoices and for the correct amounts. 5. There is adequate segregation in the ordering, receiving and payment functions. 6. Fraud & Corruption checklist 7. Information Security Management. 8. Operational Risk Register reviewed 			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan.

Core system	Sundry Debtors	12.5		1	4	<ol style="list-style-type: none"> 1. All chargeable services provided and goods dispatched are identified and billed at the correct amounts. 2. All income due is invoiced and correctly recorded. 3. Credit control and debt recovery processes are adequate. 4. Credit notes and refunds are valid and properly authorised. 5. Write-off of uncollectable debt is properly authorised. 6. There is adequate segregation in the invoicing and receipting functions. 7. Fraud & Corruption checklist. 8. Information Security Management. 9. Operational Risk Register reviewed 	<ol style="list-style-type: none"> 1. Undertake a reconciliation of invoices raised to schedules received for all requests submitted in this format. 2. Only process credit notes on receipt of a correctly authorised credit note request form. 3. Ensure refund proformas are approved within signatory limits 4. Do not process the writing off of a debt prior to receipt of an approved form. 	April 2015	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
Core system	Payroll	9			5	<ol style="list-style-type: none"> 1. All employees on the payroll are valid and are employed on the organisation. 2. Payments are made only for hours worked or allowable expenses. 3. Payroll costs and statutory or material voluntary deductions are properly calculated and in accordance with approved pay rates or staff contracts. 4. Payments to staff and other collecting bodies are correct. 5. Payroll costs are properly accounted for in the main accounting system. 6. Overpayment of salary is recovered. 7. Segregation of duties is in place. 8. Upgrades to PAYE tax tables and grade pay rate updates are properly controlled. 9. Information Security Management 10. Fraud & Corruption checklist 11. Operational Risk Register reviewed 	<ol style="list-style-type: none"> 1. Ensure a fully completed and authorised Resourcelink form is received in respect of all starters & leavers. Action should not be taken without these. 2. Overtime claim forms should not be authorised unless they have been signed by the claimant. 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. 4. Authorised Recruitment Forms should be received for all new posts, whether approved under restructuring or not. 5. Maintain comprehensive electronic personal files, indexed in a date format as previously agreed with Payroll. 	June 2015	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.

Core system	NNDR	10			2	<ol style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 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.
Corporate	Civil Emergencies	2.5	0			<ol style="list-style-type: none"> 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 Review	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"> 1. Total of monies held in the till agreed to the cash receipting system total 2. Floats held by the cashiers agreed to the float records 3. Floats are held securely with restricted access 			We are satisfied that reliance can be placed on the key controls as described.
Income Stream Review	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 system	Planning – Tree Planting Grants	2	0	<div>1. Application forms are completed in full</div> <div>2. All grants paid are on receipt of official invoices where applicable</div> <div>3. Inspections made to ensure that the approved work has been completed</div> <div>4. Payments made are approved by an authorised signatory</div>			We are satisfied that reliance can be placed on the key controls as described.			
Corporate	Member Council Tax Balances	1	0	<div>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</div> <div>2. Where benefit is being claimed that councillors allowances are declared in relation to the claim</div>			All Members entitled to vote on Council tax Resolution 2015/2016			
Non-core system	Homelessness Expenses	0	0	<div>1. Review of expenditure regarding the homelessness service</div> <div>2. All expenditure is approved by an authorised signatory</div> <div>3. Operational Risk Register reviewed</div>			We are satisfied that reliance can be placed on the key controls as described.			
Non-core system	Home Ownership Initiatives	4	0	<div>1. The Rent Bond Scheme is administered correctly and adequate supporting documentation exists including:<div><div>Bond issue</div><div>Bond claim</div></div></div> <div>2. The Rent Deposit Loan scheme is administered correctly and adequate supporting documentation exists including:<div><div>Granting of loan</div><div>Repayment/recovery of loan</div></div></div> <div>3. Operational Risk Register reviewed</div>			We are satisfied that reliance can be placed on the key controls as described.			
Non-core system	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</div>			We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the
	1									

				income 6. Income received is allocated to the correct income code 7. Operational Risk Register reviewed			Action Plan.			
Non-core system	Members Allowances	10	<table><tr><td></td><td>1</td><td></td></tr></table>		1		1. To ensure members mileage claims, train travel and broadband allowances are correct 2. Claim forms are signed by the councillor and approved by a member of the Governance section 3. Claims are paid correctly by the Payroll section			We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
	1									
Corporate	Performance Indicators and Data Quality	16	<table><tr><td></td><td></td><td>4</td></tr></table>			4	1. Officers are aware of and comply with the Data Quality Policy 2. Performance Indicators are independently reviewed back to supporting data 3. Indicators are calculated in accordance with the definition 4. Covalent is updated with revised definitions as required	1. Provide training to officers responsible for compiling Performance Indicators including clarification of definitions and importance of data quality 2. Review definitions/guidance published on Covalent for confirmation it is the latest issued 3. Perform checks on a sample of Performance Indicators submitted each quarter 4. Discuss with the Corporate Director regarding the unreliability of data supplied by Ignite together with the requirement for supporting evidence	August 2015 Implemented	We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
		4								
Non-core system	Stock Check – Unit 4	2	0	1. Reconciliation of recycling and black sacks 2. Diesel and red diesel readings 3. Reconciliation of trade waste sacks, trade recycling sacks, red and purple sacks 4. Plant stock take			We are satisfied that reliance can be placed on the key controls as described.			
Corporate	Floats/Imprests	1	0	1. To ensure that all petty cash floats and change floats are certified and accounted for on 31 st March 2015 2. All changes to petty cash floats during the financial year are accounted for 3. The end of year balance agrees to the total on the appropriate efinancials code			We are satisfied that reliance can be placed on the key controls as described.			

Non-core system	Housing Benefit Fraud	5	2	<ol style="list-style-type: none"> 1. The authority is committed to the prevention of fraud & corruption. 2. Investigations are conducted in compliance with legislation and best practice. 3. Data matching reviews are undertaken as required. 4. Sanctions are applied in a consistent and impartial manner. 5. Fraud & Corruption checklist. 			We are satisfied that reliance can be placed on the key controls following implementation of the recommendations agreed in the Action Plan.
Operational	Markets	1.5	0	<p>Receipt checks completed at the Braintree market (Wednesday) and Witham market (Saturday)</p> <ol style="list-style-type: none"> 1. That all market traders were able to provide an official receipt issued by the Market Superintendent 2. That the carbon copies of the receipts agree to those issued to the traders 3. The fee paid is reasonable to the size of the pitch 4. The amount banked agrees to the total of receipts for that particular day 			We are satisfied that reliance can be placed on the key controls as described.
Corporate	National Fraud Initiative	35	n/a	<ol style="list-style-type: none"> 1. Preparation and submission of data files 2. Data extraction for Single Person Discount matches and the Council Tax Rising 18's matches 3. Review of 1,671 matches from the main data-matching exercise 4. Recording the outcomes of resolved matches on NFI website 			For information
Operational	Refreshments	1.5	0	<ol style="list-style-type: none"> 1. Charges keys are kept securely and all issues recorded 2. Key users are recharged for the costs of drinks used 3. Vending machines are used only for approved corporate hospitality 			We are satisfied that reliance can be placed on the key controls as described.

Non-core system	Appointment of Consultants	4.5	0	<div>1. Consultants are appointed in accordance with Contract Procedure Rules.</div> <div>2. Consultants invited to quote are on the Marketplace system.</div> <div>3. An official order is raised following appraisal of quotes received.</div>			We are satisfied that reliance can be placed on the key controls as described.			
<div>2015/2016</div> <div>Non-core system</div>	Petty Cash	3	0	<div>1. Floats are issued correctly and allocated to a named employee</div> <div>2. Receipts are submitted for all petty cash claims</div> <div>3. Expenditure on petty cash items are appropriate and approved by an authorised signatory</div> <div>4. The end of year float reconciliation has been completed with no discrepancies identified</div> <div>5. Any request for new floats are received in writing and correctly authorised</div> <div>6. For any floats repaid an official receipt is issued</div> <div>7. Petty cash claim forms are kept securely</div> <div>8. Financial records are updated promptly</div>			We are satisfied that reliance can be placed on the key controls as described.			
Non-core system	House Renovation Grants	11	<table><tr><td></td><td>1</td><td></td></tr></table>		1		<div>1. An application form has been completed in all cases</div> <div>2. All relevant documentation has been received in support of the application</div> <div>3. Test of resources has been completed for all applications</div> <div>4. At least two quotes for the work had been received for all applications</div> <div>5. Work completed is inspected by officers before any payment is made</div> <div>6. Payments made are approved by an authorised signatory</div>			We are satisfied that reliance can be placed on the key controls following implementation of the recommendation agreed in the Action Plan.
	1									
Corporate	Sustainability	8	<table><tr><td></td><td>2</td><td></td></tr></table>		2		<div>1. Integrity and ethical values</div> <div>2. Human Resources</div> <div>3. Information and performance management</div> <div>4. Risk and business continuity management</div>			We are satisfied that reliance can be placed on the key controls following
	2									

				5. Policies and procedures 6. Climate change 7. Waste management 8. Procurement 9. Planning and construction 10. Transport 11. Local environment quality 12. Biodiversity 13. Health and well-being 14. Corporate social responsibility 15. Information and communication			implementation of the recommendations agreed in the Action Plan.
Non-core system	Advertising	3	0	1. Advertising space is charged for in accordance with the Fees and Charges schedule and invoices are raised in a timely manner 2. Spending remains within budget and is appropriate and reasonable			We are satisfied that reliance can be placed on the key controls as described.

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

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: No
N/a		
Executive Summary:		
<p>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.</p> <p>A copy of the plan for 2015/2016 is attached as Appendix A.</p>		
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

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

Risk	Score	Value	Score
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:

Total score	Frequency
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

	Audit Manager	Auditor	Auditor	TOTAL
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
	213	211	210	634
less Social Club	0	0	3	3
Non-chargeable	213	211	207	631
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
Net projected time availability for year	18	181	187	386

External Audit Plan 2014/2015		Agenda No: 8
Corporate Priority: An organisation that delivers value Report presented by: BDO, External Auditor Report prepared by: BDO, External Auditor		
Background Papers: BDO Audit Plan 2014/15		Public Report
Options: N/a		Key Decision: No
Executive Summary: 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"> • Purpose of the audit plan • Respective responsibilities • Code audit • Financial Statements - Materiality and triviality, misstatements due to fraud • Use of resources • Whole of Government Accounts • Certification of grant claims and returns 		

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

Any Corporate implications in relation to the following should be explained in detail	
Financial:	The estimated costs of the 2014/15 audit and grant certification work will be met from the approved budget allocation in 2014/15.
Legal:	N/a
Safeguarding	N/a
Equalities/Diversity	N/a
Customer Impact:	N/a
Environment and Climate Change:	N/a
Consultation/Community Engagement:	N/a
Risks:	N/a
Officer Contact:	Lesley Day
Designation:	Audit, Insurance and Fraud Manager
Ext. No.	2821
E-mail:	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">• Opinion on the financial statements• Value for money conclusion• Certificate	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 £1.13 million (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"> • Assess the reasonableness of the assumptions used in the MTFS • Consider the completeness of the risks reported by the Council in achieving their budget.

AUDIT TIMETABLE

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

OUTPUT	DATES
FINANCIAL STATEMENTS	
Review of internal controls	March - April 2015
Final audit visit	July - August 2015
Audit report covering: <ul style="list-style-type: none"> • 'True and fair' opinion on the financial statements • Information in the Statement of Accounts being consistent with auditor's knowledge • Annual governance statement is prepared in accordance with guidance and not inconsistent with auditor's knowledge 	Clearance meeting to be held late August 2015 By 30 September 2015
Opinion on the Whole of Government Accounts return.	By 7 October 2015
USE OF RESOURCES	
Review of economy, efficiency and effectiveness	January - April 2015
Value for money conclusion	By 30 September 2015
GRANTS	
Audit of grant claims and returns	August to November 2015
REPORTING	
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 st 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	
Executive Summary:		
<p>The attached report summarises the main issues arising from the grant claims and returns certification for the financial year ended 31st 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 14th 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>		
Decision:		
To formally receive the Grant Claims and Returns Certification year ended 31 st March 2014		
Purpose of Decision:		
For Members to receive the Grant Claims and Returns Certification year ended 31 st March 2014		

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

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



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
TOTAL FEES	18,304	18,304

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">• 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. <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">• 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.• 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

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
HOUSING AND COUNCIL TAX BENEFIT SUBSIDY						
<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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Internal Audit Annual Report 2014/2015		Agenda No: 10
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	
Public Sector Internal Audit Standards		
Options: N/a	Key Decision: No	
Executive Summary:		
Decision:		
To accept the Internal Audit annual report for 2014/2015.		
Purpose of Decision:		
To accept the Internal Audit annual report for 2014/2015 in support of the Annual Governance Statement.		

Any Corporate implications in relation to the following should be explained in detail	
Financial:	None
Legal:	None
Equalities/Diversity	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Lesley Day
Designation:	Audit Insurance & Fraud Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

INTERNAL AUDIT

ANNUAL REPORT 2014/2015

Purpose

This is the annual report of the Head of Audit as required by the Public Sector Internal Audit Standards (PSIAS) for the period 1st April 2014 to 31st March 2015 and includes:

- the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's risk management systems, internal control and governance processes
- the delivery of the annual audit plan
- implementation of agreed actions

Background

The Accounts and Audit (England) Regulations 2011 require the Council to maintain an adequate and effective internal audit service in accordance with proper practices. The Public Sector Internal Audit Standards requires that the Head of Internal Audit must deliver an annual internal audit opinion which can be used to inform and support the Council's Annual Governance Statement. The annual audit opinion must conclude on the overall adequacy and effectiveness of the organisation's control environment.

Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The PSIAS now form the proper practices for Internal Audit as required by the Accounts and Audit (England) Regulations 2011.

In September 2013, the Governance Committee:

- approved the adoption of the PSIAS
- approved the Internal Audit Charter
- noted that the management of Insurance, Risk, Benefit Fraud, Cashiers, Mail Room and Business Continuity is to remain the responsibility of the Audit Manager
- noted that the Audit Manager does not hold a professional qualification required by the Standards but does possess the knowledge, skills and competence to manage and deliver the service
- approved the Committee's functional reporting responsibilities

ANNUAL REPORT & OPINION

The role of the Internal Audit service

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

I, as the Audit, Insurance and Fraud Manager, continue to report functionally to the Governance Committee and maintain organisational independence. There are no constraints placed upon me in respect of determining the overall audit coverage, audit methodology, the delivery of the audit plan or recommending actions for improvement or forming opinions on individual audit reports issued.

Internal Audit

For 2014/2015, Internal Audit was provided by a team of 2.3 fte, consisting of an Audit Manager and 2 Auditors (the Audit Manager's time is also allocated to other responsibilities which accounts for an additional 0.7 fte)

An annual Audit Plan is produced in conjunction with a four-year rolling plan which is based on an assessment of the risks associated with each service / function / system and also takes into account the Council's strategic and operational risks.

The Audit Plan was divided into four categories as follows:

- Core systems and Income Streams
- Non-core systems
- Corporate
- Operational

In respect of core systems and non-core systems, a systems based approach is used to assess and evaluate the controls operating within each system and to provide an assurance of the adequacy of those controls. This approach may also apply to some topics within the corporate and operational category.

Upon completion of an assignment, any recommendations are discussed with the Service Unit Manager/Senior Manager and an Action Plan agreed.

Governance Committee

An activity report is presented regularly to the Governance Committee which details:

- each assignment
- the number of recommendations
- brief details of the high priority recommendations
- key controls covered
- audit opinion
- date of the follow-up review.

The Governance Committee is updated on the status of high priority recommendations as part of the activity reports. There were no high priority recommendations outstanding as at the end of the financial year.

Operational Risk Management

Operational Risks were reviewed by each Head of Service as part of their Business Plans for 2014/2015. There were 69 risks identified with 17 of them above the tolerance line which required an action plan in order to mitigate the risk. The Governance Committee received the report in July 2014.

In addition, we have funded security improvements at Lakes Road depot from the Risk Reserve Fund.

Strategic Risk Management

The Risk Policy, Strategy and Implementation Plan were introduced in April 2006 which required a register of strategic risks i.e. those risks that may affect the ability of the Council to achieve its objectives, to be established.

The current Strategic Risk Register details the risks which have potential to impact on the delivery of the Corporate Strategy. The Register was reviewed twice during 2014/15:

Agreed by Cabinet on	29 th September 2014	- 7 risks with 5 above the tolerance line
	30 th March 2015	- 7 risks with 5 above the tolerance line

The risks with a risk rating above the tolerance line have a Management Action Plan which is owned and monitored by a Corporate Director.

Regulation of Investigatory Powers Act

At the Audit Committee held on 8th January 2009 it was agreed that an annual report would be submitted by the RIPA Co-ordinating Officer detailing the use of surveillance for the financial year.

As the RIPA Co-ordinating Officer, I have received no applications for surveillance this year. Taking into account our past surveillance and subscriber information applications, it is doubtful that we will meet the new criteria or need JP approval, however, the ability remains for the Authority to do so.

Information Security

An Information Security Policy (supported by 15 Codes of Practice) was adopted in July 2009.

The objectives of this Policy are to ensure that

- All users are aware of their responsibilities in relation to information security
- All property, equipment and information are appropriately protected
- The availability, integrity and confidentiality of information is maintained
- A high level of awareness exists of the need to comply with the measures contained in the policy.

Heads of Service and Corporate Director direct reports have signed a declaration that certain requirements of the Policy have been met and that there have been no known breaches of information security during 2014/2015 with one exception. There has been one information security incident where a security breach occurred in a 3rd party's data, however, there was no specific risk to this organisation's data.

Corporate Quality & Compliance Reviews

During the year the quality assurance auditors carried out 38 service unit reviews across all services. These were carried out by discussions with Service Unit Managers and members of staff and covered areas including:

<u>Corporate Health:</u>	Performance Reviews and PDP's Individual and Team performance Team Meetings Business & Service Planning Consultation Sickness Absence / Leave entitlements / Time recording Training Records
<u>Health & Safety:</u>	Managers 6 monthly inspection Casual user's car insurance for business cover Workstation/Risk assessments PPE/COSHH Accident reporting/Violent Persons/Racial Incidents/ Safeguarding
<u>Performance:</u>	Complaints Performance Indicators/ Customer Service Standard Budget Monitoring / Payment of Invoices Customer Surveys
<u>General Compliance:</u>	Induction / Probation periods Gifts & Hospitality Fees and charges Use of electronic Quotations Register Equality Impact Assessments Data Protection Freedom of Information Governance – awareness of: <ul style="list-style-type: none"> • Policies • Constitution • Codes of Conduct • Declaration of Interests • Website and iconnect housekeeping • Operational Risk Management

A summary of findings and recommended action points (as appropriate) have been issued to the relevant Service Unit Manager and a copy sent to the Head of Service for their information.

Besides individual action points, it became apparent that some findings were occurring more frequently across the whole organisation regarding Personal Development Plans. A number of officers said that PDP's had been forwarded to OD&L (no evidence available though) however these had not been recorded as being received.

Agreed action to be taken by HR/OD&L Manager:

- a) to remind Service Unit Managers to send their staff's PDP's to OD&L following completion of the Performance Review.
- B) has agreed to implement a monitoring process which will enable the identification of staff who have not forwarded their PDP so that Service Unit Managers can be advised accordingly.

Whistleblowing

I am responsible for carrying out investigations on behalf of the Head of Finance, the Councils' designated Whistleblowing Officer. During 2014/15 two allegations were received:

1. The investigation was compromised so agreed that the Head of Service would speak to the member of staff
2. The investigation was completed and the member of staff resigned

Prevention of Money Laundering Procedures

No Suspicious Activity Reports were submitted by the Money Laundering Reporting Officer to the Serious Organised Crime Agency during the year.

Audit assignments undertaken during 2014/2015

	Completion of planned <u>assignments</u>	Completion of additional <u>unplanned assignments</u>
Core systems and Income Streams	100%	
Non-core systems	100%	2
Operational	100%	

We also carry out assignments and activities on Corporate subjects which, due to their nature, are impractical to count towards the annual overall target. eg, governance issues, ICT system security, NFI Data Matches etc.

Recommendations contained in Audit Assignments

Number of Audit Assignments	Low Priority	Medium Priority	High Priority
48	2	27	17

Reliance by External Audit

The internal audit plan is prepared with the intention that the external auditors can place reliance on the work of Internal Audit (managed audit basis), thus avoiding duplication of work and ensuring that the Council receives maximum benefit from the total audit resources.

As at the time of producing this report, our external auditor's review is in progress however, no significant matters have been identified to date.

Overall Opinion

My opinion is based upon and restricted to the work that we have performed during the year.

In giving the opinion it should be noted that assurance can never be absolute and that the Internal Audit have not reviewed all risks and assurances relating to the Council's key business management, governance or service delivery processes during the year.

I concluded that my audit opinion is one of **adequate assurance** which means that there is a sound system of internal control adequately designed to meet the Council's objectives and, controls are generally being applied.

COUNTER-FRAUD ARRANGEMENTS

As a result of the Audit Commission's publication – 'Protecting the Public Purse 2012' a Counter Fraud Strategy was produced which brings together all our current policies and procedures. This Strategy was approved by the Governance Committee on 20th March 2013 and remains in place.

A data matching exercise undertaken by the National Fraud Initiative resulted in a total 1,671 matches (high, medium and low matches). The data sources for the data matching exercise included:

Housing Benefit	Payroll	Pensions
Market Traders	Taxi Drivers	Personal Alcohol Licences
Housing waiting List	Creditors	Residents Parking
Student Loans		

Work is continuing on the matches where further investigation is required.

In addition, during January 2015 a further NFI exercise was completed in respect of Single Person Discounts and Council Tax Rising 18's matches. This has resulted in 496 and 65 matches respectively and all are currently under investigation.

Housing Benefit, Council Tax Benefit, Local Council Tax Support Fraud:

<u>Administrative penalties</u>	90	value of fraudulent overpayments	= £231,651.96
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<u>Completed Prosecutions</u>	38	value of fraudulent overpayments	= £398,647.23
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<u>Cautions</u>	26	value of fraudulent overpayments	= £60,914.10
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The cumulative total overpayments for 2014/2015 where sanctions applied and resolved was £691,213.29

Lesley Day
Audit, Insurance & Fraud Manager
June 2015

Annual Governance Statement 2014/15		Agenda No: 11
<p>Corporate Priority: An organisation that delivers value – Providing value for money and Delivering excellent customer service</p> <p>Report presented by: Trevor Wilson, Head of Finance Report prepared by: Trevor Wilson, Head of Finance</p>		
<p>Background Papers: 'Delivering Good Governance in Local Government – Framework' published by CIPFA and SOLACE 2007 and Addendum 2012</p>		Public Report
<p>Options: To make amendments or additions as required to the Annual Governance Statement and recommend for signing by the Leader of the Council and the Chief Executive.</p>		Key Decision: No
<p>Executive Summary:</p> <p>The annual review of the Council's governance, risk management and internal control arrangements has been undertaken to support the production of the Annual Governance Statement (the Statement) for 2014/15.</p> <p>This review includes the established information and assurance gathering processes to ensure that the published Annual Governance Statement is correct as well as a review of the Council's Governance framework against a best practice framework devised by CIPFA/SOLACE.</p> <p>The aim of the review process is to ensure that the Council has effective governance, risk management and internal control processes in place to assist with accountability and delivery of objectives. Any shortfalls identified in these arrangements through the review process are included as action points for the coming year.</p> <p>The review process includes:</p> <ul style="list-style-type: none"> • Obtaining assurance from Senior Managers, who report to a member of the Management Board, that key control systems have operated effectively within their areas of responsibility throughout the year • Reviewing the Council's governance framework against the best practice framework devised by CIPFA/SOLACE • Annual update of the Local Code of Corporate Governance, first adopted by the Audit Committee on 8th January 2009 • Reviewing all External Audit and Inspection reports and Internal Audit reports <p>The published statement is required to detail the governance and control framework in place in the Council during 2014/15 and up to the date of publication of the Statement. Where arrangements are not in line with best practice or are not working</p>		

effectively, this should be recorded in the Statement together with action plans for improvement.

The Annual Governance Statement

The process of preparing the Annual Governance Statement should itself add value to the corporate governance and internal control framework of the Council. The Statement should be approved by the end of June and should also be up-to-date at the time of publication. The best practice framework provides guidance on what the Statement should contain, including:

- Responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control);
- An indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;
- A brief description of the key elements of the governance framework;
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance framework including reference to the roles of various Members/Officers in this process; and
- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

An update of the Local Code of Corporate Governance is included at Appendix A and a draft of the Statement is included at Appendix B for Member's consideration.

Decision:

To agree:

1. the updated Local Code of Corporate Governance as detailed in Appendix A; and
2. the Annual Governance Statement for 2014/15, as detailed in Appendix B, for signing by the Leader of the Council and the Chief Executive.

Purpose of Decision:

To evidence that the Council has conducted a review of the effectiveness of its system of internal control for 2014/15, ensure that the Annual Governance Statement for 2014/15 is correct and in order for the Leader of the Council and the Chief Executive to sign.

Any Corporate implications in relation to the following should be explained in detail	
Financial:	None arising from this report.
Legal:	Meets requirement to undertake an annual review of the Council's Governance arrangements (Regulation 6(1) of the Accounts and Audit Regulations 2015).
Safeguarding	None arising from this report.
Equalities/Diversity	Various aspects of the Annual Governance Statement are directly relevant to diversity and social inclusion. Examples include arrangements to consult with and encourage the participation of all sections of the community, communications with stakeholders and the requirement for services to be provided in accordance with equality policies.
Customer Impact:	Review provides assurance of the adequacy of the Council's governance arrangements and identifies actions to be taken in the coming year to further improve the arrangements.
Environment and Climate Change:	None arising from this report.
Consultation/Community Engagement:	None arising from this report.
Risks:	The Council is legally required to 'conduct a review at least once in a year of the effectiveness of its system of internal control'.
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No.	2801
E-mail:	Trevor.wilson@braintree.gov.uk

BRAINTREE DISTRICT COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

INTRODUCTION

The Corporate Governance framework comprises of the systems and processes, culture and values by which an organisation is directed and controlled. For local authorities this includes how a council relates to the community it serves.

Good Corporate Governance requires the authority to be open, transparent, effective, inclusive of all sectors of the community, accountable to the public it serves and to demonstrate integrity.

This Code is a public statement of the ways in which the Council will achieve good corporate governance.

What is the purpose of Braintree District Council's Code of Corporate Governance and who should be complying with it?

By publishing a Code of Corporate Governance, the Council is demonstrating its commitment to ensuring the high quality of its public services.

By promoting the principles of openness, accountability, integrity and effective governance, the Council encourages public trust.

The Code provides the public with greater awareness of the Council's arrangements and equips them with the knowledge to question the Council's plans and actions, thereby becoming more involved in the running of their council.

The Code provides officers with an overview of the Council's governance arrangements and with the principles of good governance that each service and employee should be ensuring are in place.

THE PRINCIPLES OF CORPORATE GOVERNANCE

The CIPFA/SOLACE guidance “Delivering Good Governance in Local Authorities” identified six Core Principles against which local authorities should review their existing corporate governance arrangements and develop and maintain adopt a local code of governance. These principles are:

- *Focussing on the purpose of the Council and outcomes for the community and creating and implementing a vision for the local area;*
- *Members and officers working together to achieve a common purpose with clearly defined functions and roles;*
- *Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;*
- *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;*
- *Developing the capacity and capability of members and officers to be effective; and*
- *Engaging with local people and other stakeholders to ensure robust public accountability*

This Code of Governance has been prepared in accordance with the Guidance and will be reviewed by the Governance Committee at Braintree District Council on an annual basis.

Additionally authorities are required to prepare and publish an annual governance statement in accordance with this framework under Part 2 Regulation 6 of the Accounts and Audit (England) Regulations 2015.

The Annual Governance Statement is a key corporate document. The Chief Executive and the Leader of the Council have joint responsibility as signatories for its accuracy and completeness.

BRAINTREE DISTRICT COUNCIL: CODE OF CORPORATE GOVERNANCE

Core Principle 1 - Focussing on the purpose of the Council and outcomes for the community and creating and implementing a vision for the local area		
Our aims in relation to focussing on the purpose of the Council and outcomes for the community and creating and implementing a vision for the local area are to:		
1.1 Exercise strategic leadership by developing and clearly communicating the authority's purpose, vision and its intended outcome for citizens and service users 1.2 Ensure users receive a high quality service whether directly, or in partnership, or by commissioning 1.3 Ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money		
In order to achieve our aims we have/will:	Source documents/Processes	Further work ongoing
1.1.1 Develop and promote the Council's purpose and vision	Corporate Strategy 2012-2016 Annual Plan Business/Service Plans Performance System links to objectives Policy Framework Council Website – www.braintree.gov.uk	Agree Corporate Strategy for the period 2016 to 2020 during 2015.
1.1.2 Review on a regular basis the Council's vision for the local area and its impact on the authority's governance arrangements	Corporate Strategy 2012-2016 Annual Corporate Action Plan Medium Term Financial Strategy covering four-year period. Local Code of Corporate Governance and Annual Governance Statement.	Agree Corporate Strategy for the period 2016 to 2020 during 2015. Annual update and roll-forward of the Medium Term Financial Strategy.
1.1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	Constitution Individual partnership agreements	
1.1.4 Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	Annual Report Statement of Accounts Council Website – www.braintree.gov.uk	

In order to achieve our aims we have/will:	Source documents/Processes	Further work ongoing
1.2.1 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	Annual Performance Plan Performance Management Framework People's Panel Residents Surveys Annual budget consultation Annual Audit Letter Mosaic customer research tool	
1.2.2 Put in place effective arrangements to identify and deal with failure in service delivery	Performance reporting and performance indicators Data Quality Policy Corporate Complaints Procedure Internal Audit service Annual corporate quality and compliance review of all services Corporate Management Board	Address all issues highlighted from the Corporate Quality and Compliance reviews in 2014/15.
1.3.1 Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions	Performance reporting and performance indicators Procurement Strategy 2014 to 2018 External Audit - Annual Audit Letter Individual partnership agreements Contracts Register.	Procurement Procedure Rules to be reviewed, updated and communicated to relevant officers.

Core Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles		
Our aims in relation to Members and officers working together to achieve a common purpose with clearly defined functions and roles are to:		
<p>2.1 Ensure effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function</p> <p>2.2 Ensure that a constructive working relationship exists between authority members and officers and the responsibilities of members and officers and carried out to a high standard</p> <p>2.3 Ensure relationships between the authority, its partners and the public are clear so that each knows what to expect of the other</p>		
In order to achieve our aims we have/will:	Source documents	Further work ongoing
2.1.1 Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice	Constitution (Cabinet terms of reference) Record of decisions and supporting materials Member/Officer Protocol Developing Democracy Group - Cabinet Sub-Group.	
2.1.2 Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers	Constitution (Statutory Officer positions, Terms of Reference for Committees, Member roles). Protocols on planning, the representational role of Members, Chairmen, officer/members. Scheme of delegation. Conditions of employment. Council Website – www.braintree.gov.uk Member induction programme for new members.	
2.2.1 Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required	Constitution (Scheme of delegation). Statutory provisions.	

In order to achieve our aims we have/will:	Source documents/Processes	Further work ongoing
2.2.2 Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management	Chief Executive designated Head of paid Service. Constitution (Head of Paid Service responsibilities). Conditions of employment. Scheme of delegation. Performance management system. Annual Governance Statement agreed by Chief Executive.	
2.2.3 Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	Constitution. Member/Officer Protocol. Chief Executive and Leader meet weekly.	
2.2.4 Make a senior officer (usually the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	Corporate Director has been nominated as the Council's Chief Financial Officer. Constitution (Statutory Officers). Job description. Report template requires consideration is given to financial implications of proposed recommendations. Corporate Director role is in accord with the CIPFA 'Statement on the role of the Chief Financial Officer'.	
2.2.5 Make a senior officer (other than the responsible financial officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with (usually the monitoring officer)	Head of Governance has been nominated as the Council's Monitoring Officer (MO). Constitution (Statutory Officers.) Report template requires consultation is undertaken in relation to legal implications.	
2.3.1 Develop protocols to ensure effective communication between members and officers in their respective roles	Member / Officer protocol. Planning Protocol. Outside Bodies advice given to Members. New Member Code of Conduct agreed (meeting requirements of Localism Act 2011). Officer Code of Conduct.	

In order to achieve our aims we have/will:	Source documents/Processes	Further work ongoing
2.3.2 Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if applicable)	Pay and conditions policies and practices. Independent Remuneration Panel's Terms of Reference and Report. Verification of members allowances. Joint Staff Consultative Committee. Pay Policy agreed and published annually.	
2.3.3 Ensure that effective mechanisms exist to monitor service delivery	Quarterly monitoring reports. Performance Reporting and Performance Indicators. Complaints Procedure. Service Plans. Corporate Management Board. Overview and Scrutiny Committee – work programme and supported by Task & Finish groups, as and when required.	
2.3.4 Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	Corporate Strategy 2012 to 2016 Annual Plan Medium Term Financial Strategy covering four-year period. Asset Management Strategy. Performance Reporting and Performance Indicators. Consultation. Annual Performance Plan. Council Website – www.braintree.gov.uk Channel Strategy.	Agree Corporate Strategy for the period 2016 to 2020 during 2015. Annual update and roll-forward of the Medium Term Financial Strategy.
2.3.5 When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority	Constitution (Standing Orders) Individual Partnership agreements. Service Level Arrangements. Advice given to members in relation to outside bodies. Members appointed to represent the Council on outside organisations provide a report to Council on an annual basis.	

In order to achieve our aims we have/will:	Source documents/Processes	Further work ongoing
2.3.6 When working in partnership: - ensure that there is clarity about the legal status of the partnership - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	Constitution. Individual Partnership agreements. Service Level Arrangements. Advice given to members in relation to outside bodies. Members appointed to represent the Council on outside organisations provide a report to Council on an annual basis.	

Core Principle 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		
<p>Our aims in relation to promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour are to:</p> <p>3.1 Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</p> <p>3.2 Ensuring that organisational values are put into practice and are effective</p>		
In order to achieve our aims we have/will;	Source documents/Processes	Further work ongoing
3.1.1 Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	<p>Constitution (Standing Orders)</p> <p>Staff Survey</p> <p>Performance Reviews</p> <p>Governance Committee has an overall view of conduct issues with a Standards Sub Committee, which is called as and when required.</p> <p>Member Code of Conduct.</p> <p>Independent Persons appointed</p> <p>Officer Code of Conduct.</p> <p>Member/Officer Protocol.</p> <p>Whistle blowing Policy.</p> <p>Anti-Fraud and Corruption Policy.</p> <p>Freedom of Information policy and publication scheme.</p> <p>Monitoring Officer undertakes initial consideration of complaint.</p> <p>Protocol on Council's own planning applications.</p> <p>Planning Protocol.</p> <p>Officer Register of gifts and hospitality</p> <p>Member Register of Interests.</p> <p>Regular Manager Briefings led by member of Management Board.</p>	

In order to achieve our aims we have/will;	Source documents/Processes	Further work ongoing
3.1.2 Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	Members / officers code of conduct. Performance management system. Staff performance review scheme. Complaints procedures. Anti-Fraud and Corruption policy. Member / officer protocols. Whistle blowing Policy. Information and Communication Technology Security Policy. Annual internal audit report. Statement of Core Values and Behaviours confirmed at workshops for staff held during 2013/14.	
3.1.3 Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Standing orders. Planning protocol. Member/Officer Codes of conduct. Financial Regulations. Contract Procedure Rules. Anti-Fraud and Corruption. Whistle blowing. Register of Interests (officers and members). Member declarations at meetings. Member and Officer induction and training.	Procurement Procedure Rules to be reviewed, updated and communicated to relevant officers.
3.2.1 Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	Codes of Conduct. Statement of Core Values. Regular Manager Briefings led by a member of Management Board. People Strategy and Workforce Development Plan.	
3.2.2 Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Codes of Conduct. Contract Procedure Rules. Anti-Fraud and Corruption. Whistle blowing. ICT Security Policy. Annual internal audit report.	Procurement Procedure Rules to be reviewed, updated and communicated to relevant officers.

In order to achieve our aims we have/will;	Source documents/Processes	Further work ongoing
3.2.3 Develop and maintain an effective standards committee (as amended by Localism Act 2011)	Governance Committee has an overall view of conduct issues with a Standards Sub Committee established and appointments made, which is called as and when required. Member Code of Conduct. Monitoring Officer undertakes initial consideration of complaint. Independent Persons appointed. The number of independent/parish members exceeds statutory minimum.	
3.2.4 Use the organisations shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	Decision making practices. Corporate Plan. Member/Officer Codes of conduct. Regular meetings between Cabinet Portfolio holders and relevant Senior Manager(s).	
3.2.5 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	Individual Partnership agreements. Members appointed to represent the Council on outside organisations provide a report to Council on an annual basis.	

Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
Our aims in relation to taking informed and transparent decisions which are subject to effective scrutiny and managing risk are to: 4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcomes of constructive scrutiny 4.2 Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs 4.3 Ensuring that an effective risk management system is in place 4.4 Using their legal powers to the full benefit of the citizens and communities in their area		
In order to achieve our aims we have/will	Source documents/Processes	Further work ongoing
4.1.1 Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which it is responsible	Scrutiny is supported by robust evidence and data analysis. Overview & Scrutiny Committee and Task & Finish groups established as required. Governance Committee. Agenda and minutes. Work programme. Training on effective budget scrutiny. Successful outcomes of reviews. Annual Audit Letter. Internal control environment.	
4.1.2 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Record of decisions and supporting materials. Report template. Internal control environment. Cabinet member decisions under delegated authority are recorded and reported.	
4.1.3 Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	Members Code of Conduct. Officers Code of Conduct. Officer/Member Register of Interests. Declaration of Interests. Code of Conduct Guidance to members/officers issued. Planning Protocol.	
4.1.4 Develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee	Governance Committee – Terms of Reference. Governance Committee – training for members to meet identified needs. Committee – agenda and minutes.	

In order to achieve our aims we have/will;	Source documents/Processes	Further work ongoing
4.1.5 Put in place effective transparent and accessible arrangements for dealing with complaints	Complaints procedure. Whistle blowing policy.	
4.2.1 Ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications	Report template. Members' induction scheme. Training for committee chairman.	
4.2.2 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	Report template requires that consultation is undertaken with Monitoring Officer / Finance S151 officer before report considered by Members. Record of decision making and supporting materials.	
4.3.1 Ensure that risk management is embedded into the culture of the organisation , with members and managers at all levels recognising that risk management is part of their job	Risk Management Strategy. Cabinet Member with accountability for Risk Management. Financial standards and regulations. Corporate / service planning. Reviewed regularly by Governance Committee. Strategic and Operational Risk Registers.	
4.3.2 Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access	Whistle blowing policy (on website). Register of whistle blowing reports and actions taken. Information for contractors. Whistle blowing policy communicated to staff by leaflet.	
4.4.1 Actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	Constitution. Monitoring officer provisions. Statutory provision. Report templates. Internal control environment.	

In order to achieve our aims we have/will;	Source documents/Processes	Further work ongoing
4.4.2 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	Monitoring Officer provisions. Section 151 Officer provisions. Planning protocol. Training for Committee chairman. Availability of professional legal advice. Internal control environment. External inspection reports	
4.4.3 Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes	Standing Orders Report template Constitution Statutory provision Procedure Rules Format for quasi judicial committees Monitoring Officer provisions Section 151 Officer provisions Planning protocol Internal control environment	

Core Principle 5 - Developing the capacity and capability of members and officers to be effective		
<p>Our aims in relation to developing the capacity and capability of members and officers to be effective are:</p> <p>5.1 Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</p> <p>5.2 Developing the capability of people with governance responsibilities and evaluating their performance as an individual and as a group</p> <p>5.3 Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal</p>		
In order to achieve our aims we have/ will	Source documents/Processes	Further work ongoing
5.1.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	Member Training and Development. Member and Staff Induction programme. Staff Performance Review. Workforce Development Action Plan.	
5.1.2 Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation	Staff Performance Review. Training – Continuing Professional Development requirement of posts. Induction. Manager's handbook. Employee policies. Monitoring Officer and Section 151 Officer provisions.	
5.2.1 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	Staff Performance Review. Personal Development Plans. Talent Management framework for senior managers. Developing Democracy Cabinet Sub-Group. Workforce Development Action Plan. East of England Charter for elected Member Development re-awarded from the East of England Local Government Association on 28 th October 2014.	

In order to achieve our aims we have/ will	Source documents/Processes	Further work ongoing
5.2.2 Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	Staff Performance Review. Personal Development Plans. Talent Management framework for senior managers. Member Training and Development Group Developing Democracy Group - Cabinet Sub-Group. Workforce Development Action Plan.	
5.2.3 Ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs	Performance reporting and performance indicators. Staff Performance Review. People Strategy. Workforce Development Action Plan. Developing Democracy Cabinet Sub-Group	
5.3.1 Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	Local Compact with Voluntary Sector. Open opportunity for members of public to ask questions at committee and Council meetings.	
5.3.2 Ensure that career structures are in place for members and officers to encourage participation and development	Succession planning Talent Management for senior managers Management Development programme for managers commenced in 2013/14	Management Development programme for senior managers concluded in Summer 2014. New programme for middle managers commenced in March 2015 and will run throughout 2015.

Core principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability		
<p>Our aims in relation to engaging with local people and other stakeholders to ensure robust public accountability are to:</p> <p>6.1 Exercise leadership through a robust scrutiny function which engages effectively with local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships</p> <p>6.2 Take an active and planned approach to dialogue with and accountability to the public ensure effective and appropriate service delivery whether directly, in partnership or by commissioning</p> <p>6.3 Make best use of human resources by taking an active and planned approach to meet responsibility to staff</p>		
In order to achieve our aims we have/will	Source documents/Processes	Further work ongoing
6.1.1 Make clear to themselves, all staff and the community, to whom they are accountable and for what	Constitution. People's Panel. Targets and Performance monitoring. Satisfaction Surveys. Council Website – www.braintree.gov.uk	
6.1.2 Consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required	Overview and Scrutiny Committee reviews examples in 2014/15 include Poverty in the Braintree district and managed Task and Finish groups investigating: the North Essex Parking Partnership and the Council's Mi-Community fund. Stakeholder identification. Statutory provisions. Stakeholder surveys.	
6.1.3 Produce an annual report on scrutiny function activity	Annual report produced to Full Council.	
In order to achieve our aims we have/will:	Source documents/Processes	Further work ongoing
6.2.1 Ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively	Council Website – www.braintree.gov.uk Contact publication – communicates the Council's vision and priorities and was published seven times in 2014/15. Town Team for each of the three principal towns.	

	Channel Strategy Use of social media to increase interaction and engagement with customers.	
6.2.2 Hold meetings in public unless there are good reasons for confidentiality	Public Question Time. Constitution. Access to information rules.	
6.2.3 Ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	Corporate Strategy 2012-2016. Business Plans. Budget and Priorities Consultation. Customer surveys. Equality Impact Assessments. Customer Service Excellence Standard achieved for all frontline services. Channel Strategy. Use of social media to increase interaction and engagement with customers.	Agree Corporate Strategy for the period 2016 to 2020 during 2015
6.2.4 Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result	Partnership framework. Budget and Priorities Consultation. Web casts of Council and Cabinet meetings on the Council's website.	

In order to achieve our aims we have/will	Source documents/Processes	Further work ongoing
6.2.5 On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	Annual report. Annual financial statements. Annual business plan. Annual Plan.	
6.2.6 Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	Constitution. Customer Service Excellence Standard. Freedom of Information Act/Publication Scheme. Officer Code of Conduct. Member Code of Conduct. Training undertaken. Whistle blowing Policy. Anti-Fraud and Corruption Policy. ICT Security Policy. Local Government Transparency Code of Practice.	
6.3.1 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	Joint Staff Consultative Committee. Management of Change process.	

Braintree District Council – Annual Governance Statement

1. Scope of Responsibility

- 1.1 Braintree District Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has previously approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.braintree.gov.uk or can be obtained from the Head of Finance at Braintree District Council.
- 1.4 This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance statement.

2. Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going

process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place at Braintree District Council for the year ended 31st March 2015 and up to the date of the approval of the Statement of Accounts.

Our Governance Framework

3. Determining the Council's purpose, its vision for the local area and intended outcomes for the Community

- 3.1 The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community.
- 3.2 The Corporate Strategy for 2012 to 2016, agreed by Full Council on 15th February 2012, sets out the vision and priorities for the Braintree District. The Strategy is based on: public opinion about what is important in the district; issues which Members know to be of importance; data and research into key issues which affect the quality of life; and issues of national importance which need to be implemented at a local level.
- 3.3 The priorities reflect the vision for the District Council which focus on five key themes:
- **Place** - Ensuring that our district is a good place to live, work and play
 - **People** - Looking after the people and communities in our district
 - **Prosperity** - Ensuring that our economy and infrastructure grows sustainably
 - **Performance** - Providing excellent, cost effective and valued services for our customers
 - **Partnerships** - Delivering better outcomes by working with others
- 3.4 An Annual Plan details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy in the forthcoming year, as well as details of how we plan to measure progress against these objectives.
- 3.5 There are Business Plans for each service area, these include clear identification of objectives and targets, reflect Corporate Strategy priorities and include the identification of risks to meeting the objectives. They are updated annually and incorporate the financial plans for the year ahead for the service areas.

- 3.6 The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Strategy. Targets are contained in the Annual Plan and Business Plans. Progress of the delivery of the projects and of performance against targets has been reported quarterly during 2014/15 to the Cabinet and the Governance Committee.
- 3.7 The Business Solutions Department seeks to encourage and support improvements in project management, business processes, delivery of major projects and to improve performance management arrangements.
- 3.8 The Council has shown that its performance has improved consistently through target setting and made improvements to service delivery.
- 3.9 The Data Quality Policy sets out the Council's approach to data quality in relation to non-financial performance data to ensure that high standards are clearly set, achieved and maintained.
- 3.10 The Council has a Medium Term Financial Strategy, Workforce Plan, Asset Management Plan and Capital Programme; these identify how resources are aligned to priorities. The budget process incorporates consideration of the allocation of resources for the Corporate Strategy priorities. The Medium Term Financial Strategy allows annual strategic review in the context of performance against Corporate Strategy priorities, and sets targets for efficiency improvement, enabling resources to be recycled. Quarterly monitoring reports for the revenue budget and the Capital Programme have been submitted to Management Board, the Cabinet and the Governance Committee.
- 3.11 Priorities for service improvement have been identified and there have been a range of reviews which have identified efficiencies for the next financial year(s). The Council has a number of corporate processes, programmes and projects designed to improve efficiency including the Procurement Strategy, the Channel Strategy and the Workforce Development Action Plan.
- 3.12 The Council operates a complaints procedure and uses this to identify areas where service quality is not satisfactory and to take action to improve.
- 4. **Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

- 4.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It does this by having a Leader of the Council and Cabinet. The Leader appoints the members to serve on the Cabinet and allocates the portfolio responsibilities. The Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These leadership roles, and the delegated responsibilities of officers, are set out in the Constitution.
- 4.2 The Constitution includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.
- 4.3 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes.
- 4.4 The Governance Committee is independent of the Cabinet and scrutiny functions and acts as the responsible body charged with governance on behalf of the Council. The Committee provides independent assurance on: the adequacy of the risk management framework and the associated control environment; scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment; the financial reporting process and approves the Statement of Accounts.
- 4.5 The Overview and Scrutiny Committee monitors the decisions of the Cabinet.
- 4.6 Members of the Management Board and the Cabinet, the Joint Executive Team, meet regularly during the year. Meetings are held regularly between the Cabinet Portfolio Member and the relevant Director and/or Head of Service(s) to discuss service delivery performance, progress against Business Plan objectives and targets.
- 4.7 The Council's Chief Executive (Head of Paid Service) leads the Council's officers and chairs the Management Board.
- 4.8 All staff, including senior management, have clear conditions of employment and job profiles which set out their roles and responsibilities.
- 4.9 The Corporate Director, as s151 Officer appointed under the Local Government Act 1972, carries overall responsibility for the financial administration of the Council. The Corporate Director's role is in accord with the

CIPFA Statement on the role of the Chief Financial Officer. A central finance function provides support to all departments and determines the budget preparation and financial monitoring processes.

- 4.10 The Monitoring Officer (Head of Governance) carries overall responsibility for legal compliance and his staff work closely with departments to advise on requirements. The Monitoring Officer is responsible for keeping the Constitution under review and reporting any proposed changes to Council.
- 4.11 Published Pay Policy 2014/15 was in place in accordance with the section 38 of the Localism Act 2011.

5. Promoting our Values and Upholding High Standards of Conduct and Behaviour

- 5.1 The Council supports a culture of behaviours based on its statement of Core Values. This guides both how the long-term vision is put into effect and how Members and officers behave in their day-to-day work.
- 5.2 Member and officer behaviours are governed by Codes of Conduct which include a requirement for declarations of interest to be completed by all Members. Members of staff who work in sensitive areas are required to complete declarations of interest and all staff are required to complete a conflict of interest form, as and when appropriate.
- 5.3 The Council has a Standards Sub Committee reporting direct to the Governance Committee.
- 5.4 The Monitoring Officer is the appointed Proper Officer to receive complaints for failure of a Member to comply with the Code of Conduct. The Monitoring Officer has delegated power, after consultation with the Independent Person, to determine whether a complaint merits formal investigation and to arrange such investigation. Where an investigation finds evidence of a failure to comply with the Code of Conduct and a resolution either cannot be agreed, or it is not appropriate to be agreed by the Monitoring Officer, the Monitoring Officer will report the investigation findings to the Standards Sub Committee.
- 5.5 The Council takes fraud, corruption and maladministration very seriously and has adopted a Counter Fraud Strategy which aims to prevent or deal with such occurrences and incorporates the following policies:
 - a) Fraud, Corruption and Dishonesty Policy
 - b) Whistleblowing Policy
 - c) Anti-Money Laundering Policy

- d) Information Security Policy
- e) HR policies regarding the disciplining of staff involved in such incidents

These policies are reviewed periodically and details of a) to c) above are provided on the Council's website and d) and e) are available to staff and members on the Council's intranet.

- 5.6 A complaints procedure is in place for the Council to receive and investigate any complaint made against it or a member of staff.
- 5.7 The Council's Housing Benefit Service is fully compliant with the Housing Benefits Verification Framework.
- 5.8 Annual Corporate Quality and Compliance reviews are undertaken of all services by an internal team of quality assurance auditors.

6. Taking informed and Transparent Decisions and Managing Risk

- 6.1 The Council's Constitution sets out how the Council operates and the process for policy and decision-making.
- 6.2 Full Council sets the policy and budget framework. Within this framework, the Cabinet makes all key decisions. Cabinet meetings are open to the public (except where items are exempt under Part 1 of Schedule 12(A) of the Local Government Act 1972) and meetings are webcast. The Leader's Forward Plan of key decisions to be taken and committee agenda items for decision over the next four months is published regularly on the Council's website.
- 6.3 All decisions made by Cabinet are made on the basis of written reports, including assessments of legal, financial, customer impact, equalities and diversity, environmental and climate change implications and consideration of the risks involved and how these will be managed.
- 6.4 The decision-making process is scrutinised by the Overview and Scrutiny Committee which has the power to call-in decisions. Specific meetings of the Overview and Scrutiny Committee are held in November and then January for Members (in public) to scrutinise the proposed budget and Medium-Term Financial Strategy. The Overview and Scrutiny Committee also undertakes some policy development work, by means of Task and Finish Groups.

- 6.5 Other decisions are made by Cabinet Portfolio holders and officers under delegated powers. Authority to make day-to-day operational decisions is detailed in the Responsibility for Functions in the Constitution.
- 6.6 The Council maintains an Internal Audit Section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. The Audit, Insurance and Fraud Manager supports the Governance Committee and reviews its effectiveness on an annual basis.
- 6.7 Policies and procedures governing the Council's operations include Financial Regulations, Procurement Rules and a Risk Management Policy. Ensuring compliance with these policies is the responsibility of the Directors, Heads of Service and their managers across the Council. The Internal Audit Section checks that policies are complied with. Where incidents of non-compliance are identified, appropriate action is agreed and implemented.
- 6.8 The Council's Risk Management Policy requires that consideration of risk is embedded in all key management processes. These include policy and decision-making, service delivery planning, project and change management, revenue and capital budget management and partnership working. Strategic risks are reviewed a minimum of twice per annum and are detailed in the Corporate Risk Register. A Risk Register of operational risks is maintained by the Audit, Insurance and Fraud Manager and is reviewed annually with Heads of Service as part of the business planning process in February/March.
- 6.9 The Cabinet approves the Corporate Risk Register and the Governance Committee oversees the effectiveness of risk management arrangements and provides assurance to the Council in this respect.
- 6.10 The Council has an Information Security policy. The Governance Committee receives details of compliance in the Audit, Insurance and Fraud Manager's annual report.
- 6.11 The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. The Medium-Term Financial Strategy is updated each year and includes a risk assessment of budget options; the MTFS is agreed by Full Council.
- 6.12 Financial monitoring reports are submitted monthly to service managers and quarterly to Management Board, Cabinet and the Governance Committee.

- 6.13 Performance against a suite of key financial indicators is reported to each meeting of the Governance Committee.
- 6.14 The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis.
- 6.15 An activity report of the Overview and Scrutiny Committee is presented annually to Full Council.
- 6.16 Details of Council spending with suppliers, value in excess of £500, are published monthly on the Council's website. A register of the Council's contracts is being compiled and an initial version is available on the Council's website.
- 6.17 Details of senior managers' remuneration and Member's allowances and expenses are published annually in the Council's Statement of Accounts.

7. Effective Management – Capacity and Capability of Members and Officers

- 7.1 The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new Members and staff undertake an induction programme to familiarise them with the protocols, procedures, values and aims of the Council. New Members elected during the 4-year term of an administration are given 1-2-1 induction training and specialised training as appropriate.
- 7.2 The Council holds the East of England Charter for elected Member Development, from the East of England Local Government Association. The Charter was re-awarded following a re-assessment on 28th October 2014.
- 7.3 Political groups have a primary role in encouraging new talent and representatives of all sections of the community to stand for election as Members of the Council.
- 7.4 The Council has developed its own scheme of key management competencies and expected values and behaviours which support the Council's core values.
- 7.5 Annual Performance Reviews of all staff ensure performance is managed and development needs for each member of staff are identified and monitored. For the Chief Executive and Corporate Directors, performance

reviews are carried out by a panel of Members which include the Leader and/or appropriate Cabinet members and the Chairman of the Overview and Scrutiny Committee.

8. Engaging with Local People and Other Stakeholders to ensure robust accountability

- 8.1 The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- 8.2 The Council has a People's Panel with participants providing feedback on a number of subjects by means of surveys and/or focus group meetings. Customer satisfaction surveys are undertaken annually using various methods to track data and trends.
- 8.3 The Council's newsletter 'Contact' communicates the Council's vision and priorities. The newsletter is published seven times in the year – once in hardcopy to all households and six times electronically to those residents requesting this media format.
- 8.4 Extensive use of social media to increase interaction and engagement with customers. The Council currently has a number of social media accounts with over 18,000 followers.
- 8.5 The Council has signed a Local Compact for joint working with the voluntary and community sectors in the district.
- 8.6 The Council consults on its annual budget proposals with council taxpayers, customers and the business community, as appropriate. With the majority of the savings and increases in income for 2015/16 being consulted on and agreed in the 2014/15 budget setting process, consultation in 2015 on the 2015/16 budget was limited to the statutory requirement to consult with businesses.
- 8.7 Members are informed of significant issues or events planned or proposed for their ward. In addition, Members receive a weekly Councillor Update by email.

9. Review of Effectiveness of the Governance Framework

- 9.1 The Council reviews annually the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the

development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors and other inspection agencies.

9.2 Both in-year and year-end review processes have taken place. In-year review mechanisms include:

- The Cabinet is responsible for monitoring overall financial and performance and receives comprehensive reports on a quarterly basis. Budgetary reports provide details of income and expenditure against profile together with a prediction of the financial position at the year-end. Key Performance Indicators and progress of projects are also included in the quarterly reports.
- Report by the Corporate Director (Section 151 Officer) on the robustness of the budget and the adequacy of balances.
- Update of the Constitution was agreed by Council in April 2015.
- The work programme of the Overview & Scrutiny Committee included reviews of the Medium Term Financial Strategy and Budget Proposals for 2015/16; Poverty in the Braintree District; and managed Task and Finish groups investigating: North Essex Parking partnership and the Council's Mi Communities Fund.
- No complaints were referred to the Standards Sub Committee during the year. There were no complaints against Members under the new Code of Conduct that required action by the Monitoring Officer.
- The Governance Committee provided independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met three times during the year receiving regular reports on risk management, internal control and governance matters.
- The Governance Committee agreed, on 18th September 2013, to the adoption of the Public Sector Internal Audit Standards and an Internal Audit Charter. In agreeing these the Committee acknowledged that: the Audit Manager does not hold the professional qualification required by the Standards, but does possess the knowledge, skills and competence to manage and deliver the service; and the Audit Manager has other managerial responsibilities including Insurance, Risk, Benefit Fraud, Cashiers, Mail Room and Business Continuity and that arrangements are in place to ensure that the post holder is not involved in audit reviews of these areas and accepts any recommendations resulting from the audit reviews in order to maintain independence.
- Internal Audit, as an independent and objective assurance service to the management of the Council, completed a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. The effectiveness of Internal Audit was assessed as satisfactory for 2014/15: a review was undertaken as required under the Accounts and Audit (England) Regulations 2011.

- Corporate Quality and Compliance reviews were undertaken of all services. Action plans from the reviews were agreed with the relevant Service Unit Manager and Head of Service. A summary report identifying issues found across a number of services is to be reported to Management Board.
- The external auditors reviewed the Council's arrangements for:
 - Preparing accounts in compliance with statutory and other relevant requirements
 - Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
 - Managing performance to secure economy, efficiency and effectiveness in the use of resourcesThe results of the review, which included: an unqualified true and fair opinion of the financial statements; and satisfactory conclusion with the Annual Governance Statement, Whole of Government Accounts and Value for Money arrangements for 2013/14, were presented to the Governance Committee on 17th September 2014.
- A positive Annual Audit Letter for 2013/14 was received from the External Auditor with no significant issues to be raised with Members, key stakeholders or members of the public.
- Management Board and Members of Cabinet reviewed strategic risks in May/July 2014 and February 2015. The Governance Committee received details of Management Board's action plans to manage those strategic risks which have high risk ratings.

9.3 The year-end review of the governance arrangements and the control environment included:

- Signed assurances from Senior Managers, who report to a member of the Management Board, that key elements of the control framework were in place during the year in their areas of responsibility.
- The Audit, Insurance and Fraud Manager's Annual Report for 2014/15 to the Governance Committee on 2 July 2015. Her report concluded a satisfactory opinion, as Head of Audit, on the overall adequacy and effectiveness of the Council's risk management systems, internal control and governance processes. The report revealed that one information security incident had been reported which occurred in a third party's data, however, there was no specific risk to the Council's data.

10. Significant Governance Issues

10.1 There are no significant internal control issues to be reported for the year. However, there are a number of areas of continuous improvement or development planned that will provide a more robust process of assurance for 2015/16:

10.2 The improvements/developments identified are:

- Agree Corporate Strategy for the period 2016 to 2020
- Address all issues highlighted from the Corporate Quality and Compliance reviews in 2014/15
- Agree a timetable for an independent review of Internal Audit service
- Review, update and agree Procurement Procedure Rules, incorporating the latest EU Directives

11. Certification

11.1 The Governance Committee reviewed the governance framework detailed in this statement at their meeting on 2 July 2015. To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year. We are aware of the steps that are being and will be taken to address the above significant governance issues and are satisfied that these are appropriate. We will monitor their implementation during the course of 2015/16.

Graham Butland
Leader of the Council

Nicola Beach
Chief Executive

Protecting the Public Purse 2014		Agenda No: 12
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: Protecting the Public Purse 2014 published by the Audit Commission in October 2014		Public Report
Options: N/a		Key Decision: No
<p>Executive Summary:</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"> • use the Audit Commission's checklist for councillors and others responsible for governance to review their counter-fraud arrangements • actively pursue frauds identified through participation in the National Fraud Initiative (NFI) <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

Financial:	N/a
Legal:	N/a
Safeguarding	N/a
Equalities/Diversity	N/a
Customer Impact:	N/a
Environment and Climate Change:	N/a
Consultation/Community Engagement:	N/a
Risks:	The absence of adequate counter-fraud actions could put the Authority at risk from fraud
Officer Contact:	Lesley Day
Designation:	Audit, Insurance & Fraud Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

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 bodiesⁱ 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).

ⁱ 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 causesⁱ.

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).

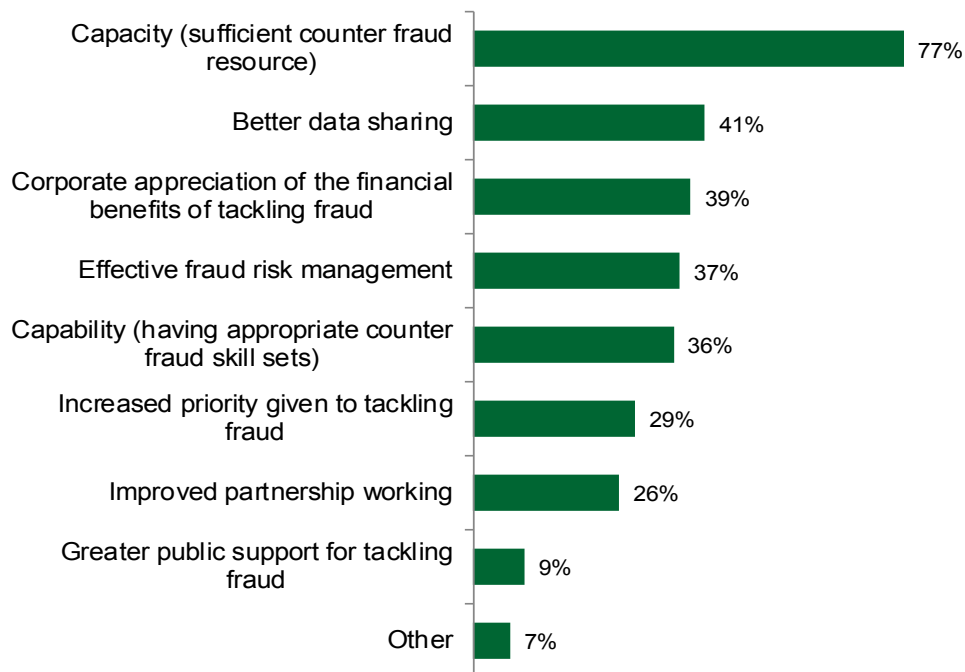
9 For councils, the most important change in their counter-fraud arrangements is the transfer of most of their benefit fraud investigators to the Single Fraud Investigation Service (SFIS), which is managed by the Department for Work and Pensions (DWP). The transition to the SFIS began in July 2014 and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

ⁱ 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 fraudⁱ - 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 (%)
Total fraud			
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
Housing and council tax benefitⁱⁱ			
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
Council tax discounts			
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
Other frauds			
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

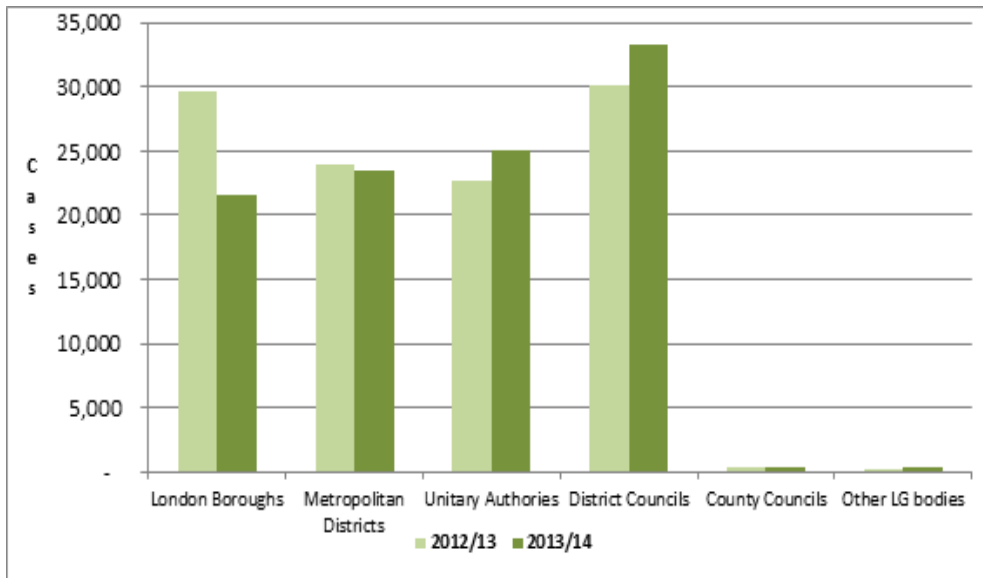
ⁱ We report housing tenancy fraud in Table 3.

ⁱⁱ 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

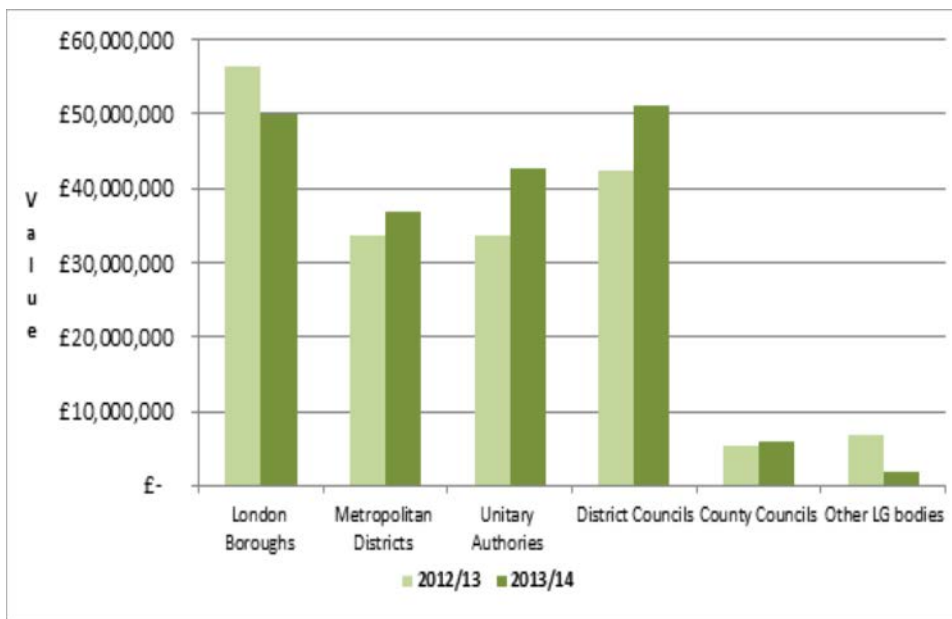


Source: Audit Commission (2014)

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

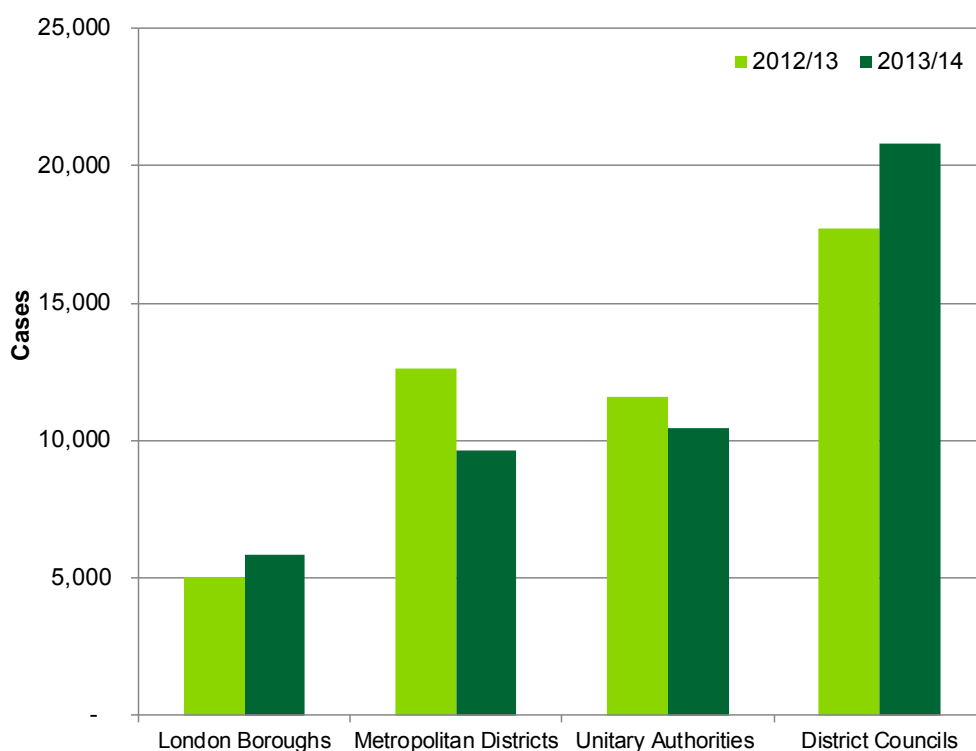
20 In 2013/14, housing benefit and council tax benefit frauds comprised 45 per cent of all fraud cases, but accounted for 69 per cent of the value of all detected frauds.

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;
- insuranceⁱ – 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

ⁱ 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
Total	1,701,148 (100)	3,030	2,642	+15

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](#)).

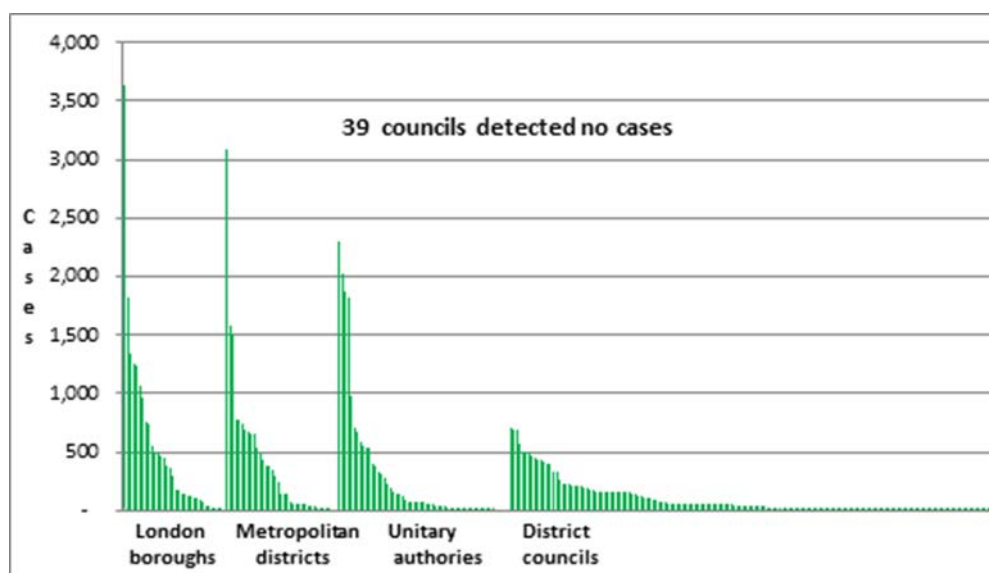
30 Only 32 of 353 councils reported frauds they believed were linked to organised crime. They were most likely to detect the involvement of organised crime in housing benefit (11 councils), which probably reflects the greater number of detected frauds in this category.

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)ⁱ.

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

ⁱ 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.

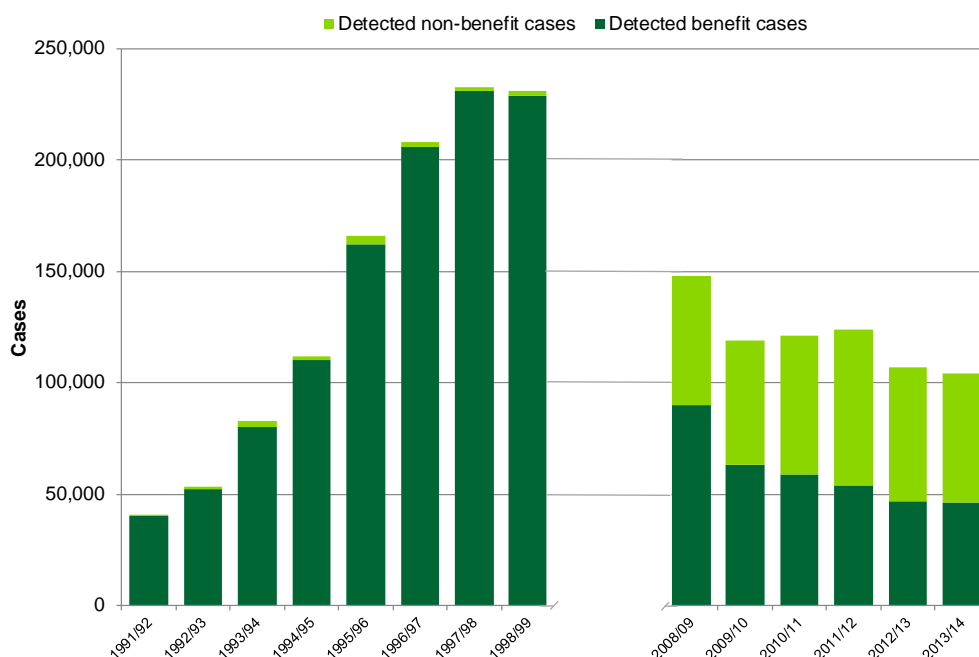
The shift in focus from benefit fraud to non-benefit fraud

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 fraudⁱ**

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 2006ⁱⁱ. 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.

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

ⁱⁱ 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 2013/14ⁱ; 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**

ⁱ 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**

		Council tax discount	Business rates	Right to Buy	Procurement	Insurance	Social care	Economic/ third sector	Blue badge
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) fraudⁱ**
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)

ⁱ 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 Schoolsⁱ 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 fraudⁱⁱ, 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).

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

ⁱⁱ 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.

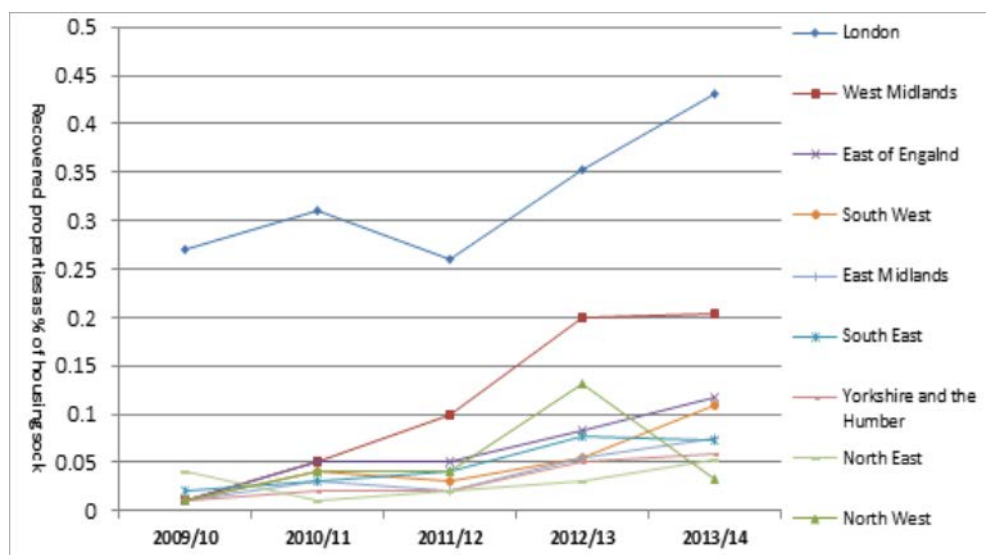
65 We believe that this approach helped to publicise the issues and encouraged social housing providers to combat tenancy fraud more effectively. Between 2009/10 and 2013/14, the total number of detected cases of housing tenancy fraud increased by 92 per cent.

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 millionⁱ.

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.

ⁱ 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.

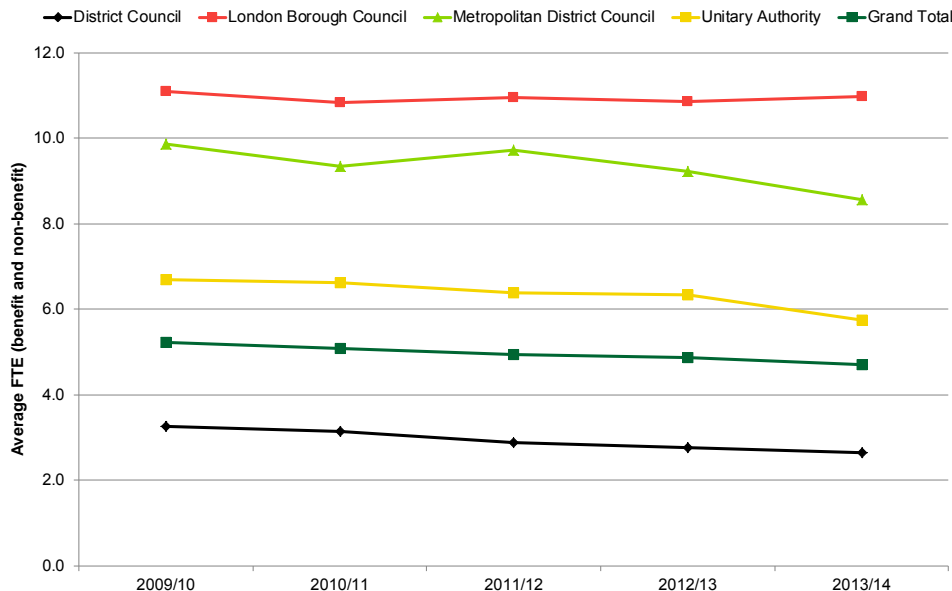
92 Over the past 25 years, councils have substantially increased the number of benefit fraud investigators they employ. Between 1994 and 1997, staff numbers rose from 200 to over 2,000 (Ref. 14). The government encouraged councils to enhance the skills and training of these new staff. In 1998, the DWP 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 incomeⁱ (Ref. 15).

ⁱ 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)

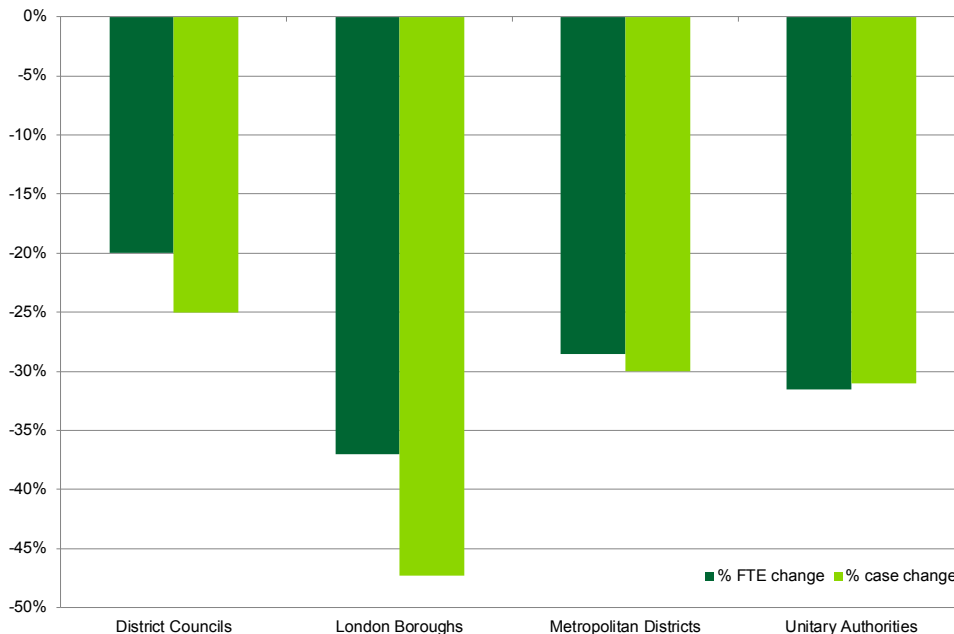
95 London councils employ the most investigators and have seen little change at around 11 FTE staff over the whole five years. District councils have employed the fewest fraud investigators, and have seen their average FTE numbers reduce by 19 per cent, with unitary authorities and metropolitan districts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

ⁱ 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).

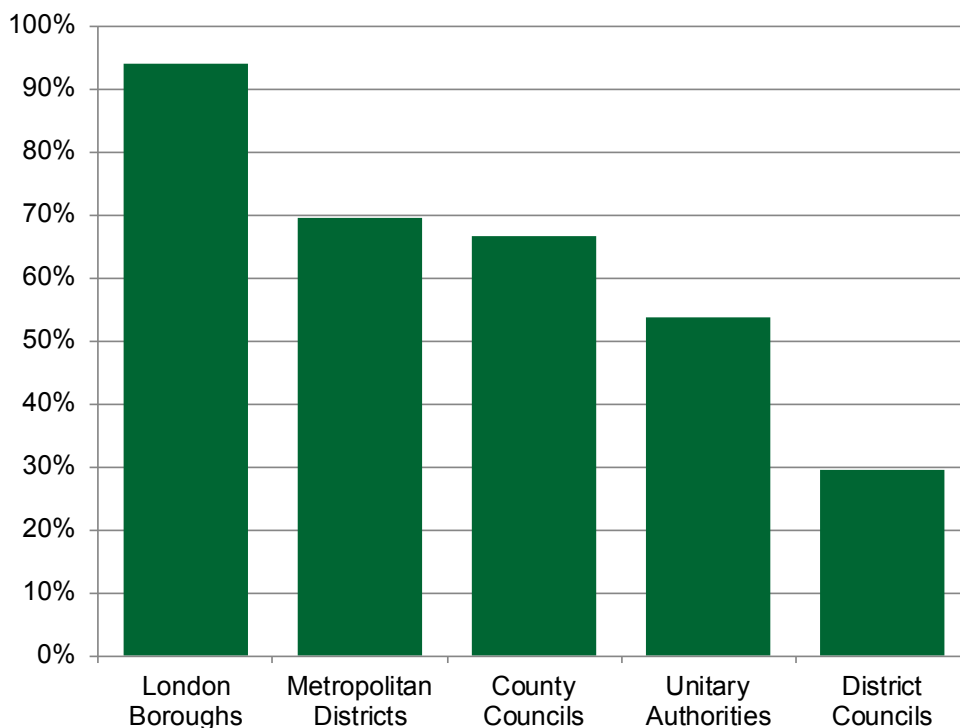
106 Councils can pursue recovery through the civil or criminal courts, but they can consider alternative means to punish fraudsters, deter potential fraudsters and also generate funds to reinvest in tackling fraud.

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 Lewishamⁱ 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.

ⁱ 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 fraudstersⁱ.

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.

ⁱ 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 ⁱ	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)

- ⁱ 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?				

II. Fighting fraud with reduced resources	Yes	No	Previous action	2014 Update
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?				
III. Current risks and issues	Yes	No	Previous action	2014 Update
Housing tenancy				
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?				
Procurement				
23. Are we satisfied our procurement controls are working as intended?				
24. Have we reviewed our contract letting procedures in line with best practice?				
Recruitment				
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
Personal budgets				
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?				
Council tax discount				
28. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?				
Housing benefit				
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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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*)



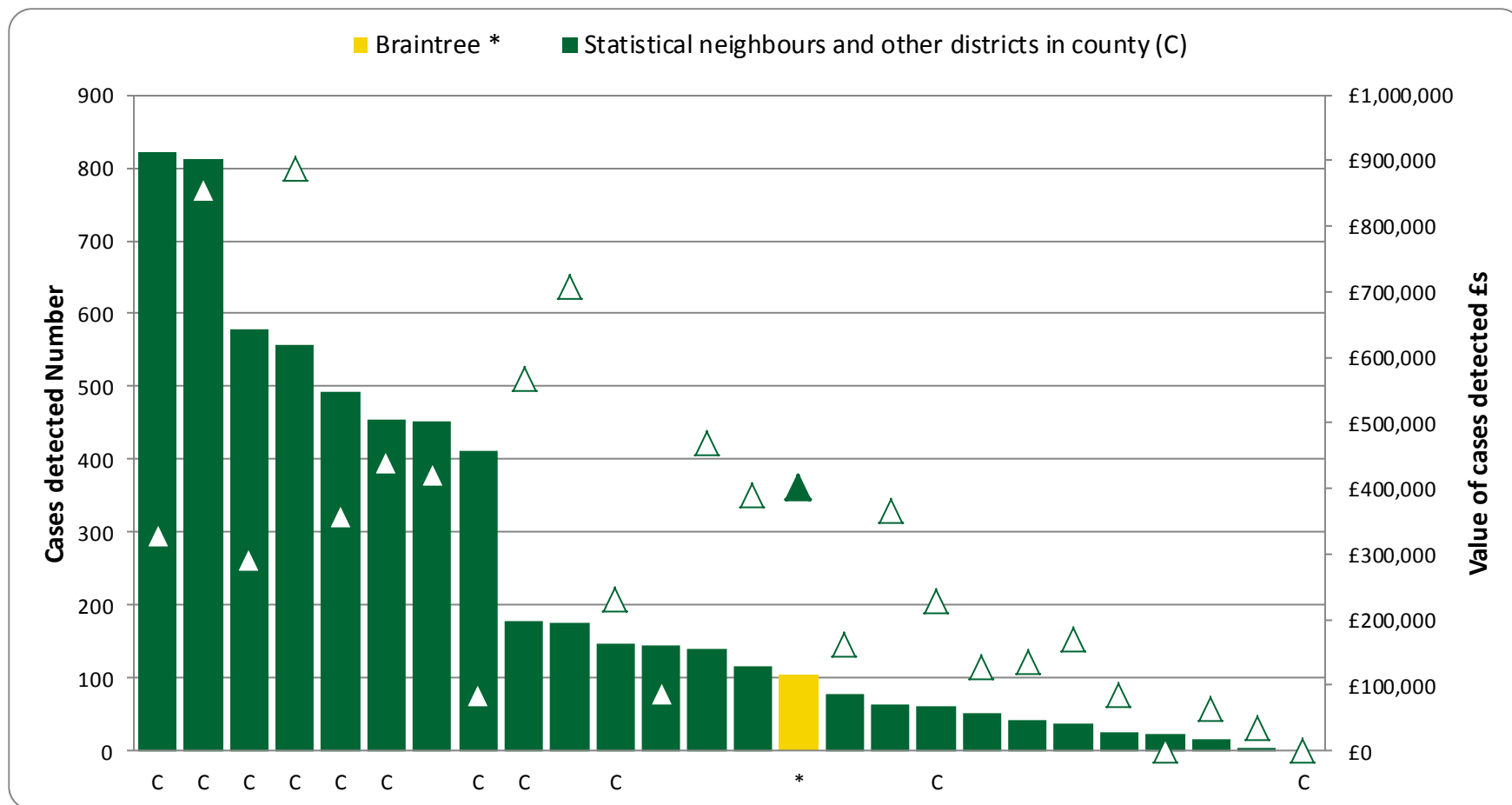
No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)



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

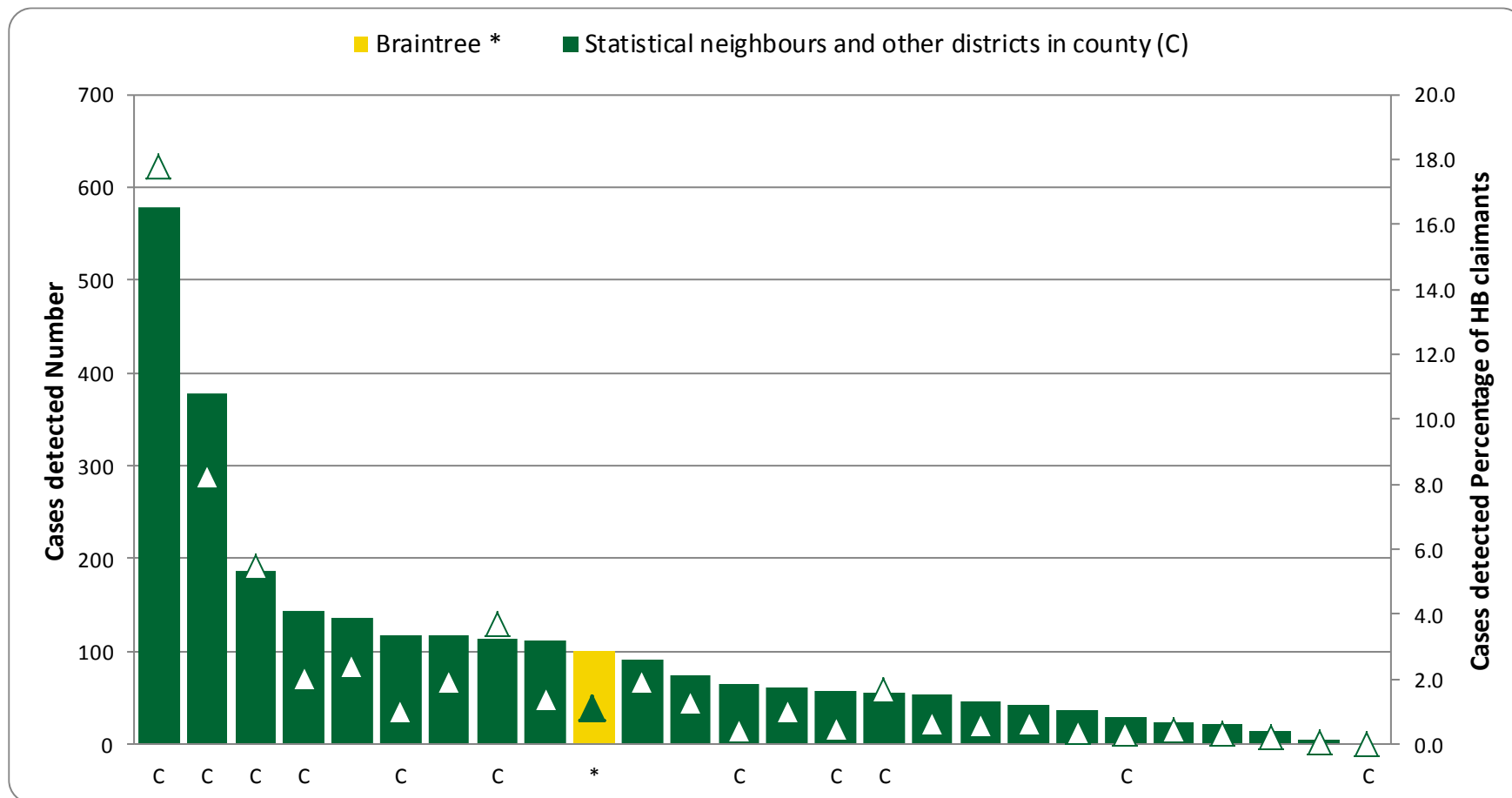


Braintree detected 103 cases #. The value of detected fraud was £399,614 #.
Average for statistical neighbours and county: 235 cases, valued at £299,716

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.

[Page 165 of 221](#)

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

Braintree

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

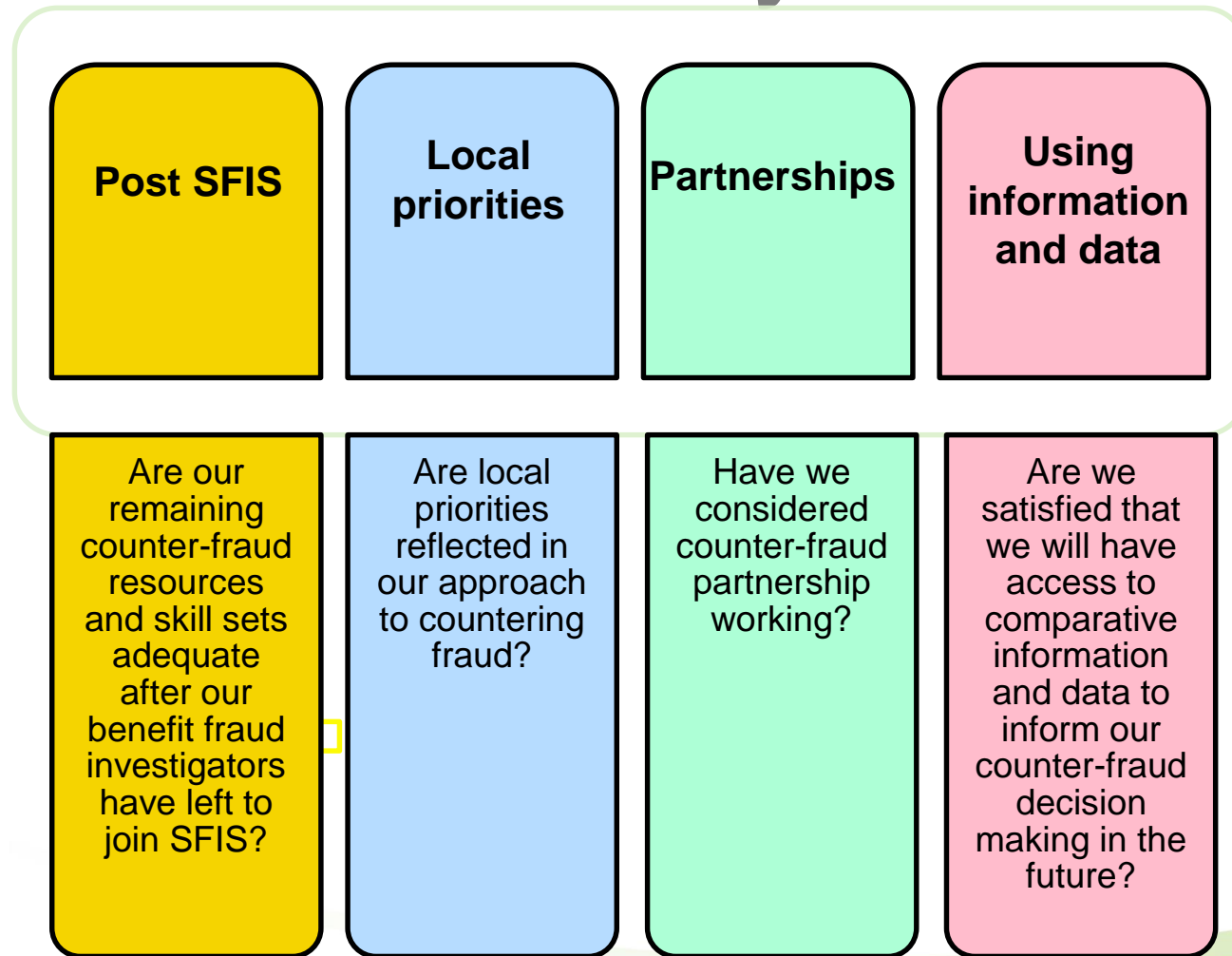
Insurance: Braintree did not detect any cases of this type of fraud.
Total for statistical neighbours and county: 3 cases, valued at £99,225

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>1. Do we have a zero tolerance policy towards fraud?</p> <p>Counter Fraud Strategy approved by Governance Committee in March 2013.</p>	✓	
<p>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>?</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>3. Do we have dedicated counter-fraud staff?</p> <p>We have our dedicated Benefit Fraud Team and Internal Audit include in all aspects of their work.</p>	✓	
<p>4. Do counter-fraud staff review all the work of our organisation?</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>5. Does a councillor have portfolio responsibility for fighting fraud across the Council?</p> <p>Comes within the remit of the Cabinet Member for Performance and Efficiency.</p>	✓	
<p>6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?</p> <p>Included in Audit Assignment reports, Internal Audit Annual Report and other ad-hoc reports as required.</p>	✓	
<p>7. Have we received the latest Audit Commission fraud briefing presentation from our external auditor?</p> <p>To be received by Governance Committee 25th March 2015</p>	✓	
<p>8. Have we assessed our management of counter-fraud work against good practice?</p> <p>Various checklists and control measures documents from a number of sources have been reviewed in line with our available resources.</p>	✓	
<p>9. Do we raise awareness of fraud risks with:</p> <ul style="list-style-type: none"> New staff (including agency staff) – covered within staff Induction by Manager 	✓	

<ul style="list-style-type: none"> • Existing staff – periodic leaflets issued, fraud alerts to relevant staff and general fraud alerts to all staff, policies and procedures on Intranet • Elected members – policies on Members Portal, periodic leaflets issued and general fraud alerts if applicable • Our contractors – specific anti-collusion clauses in tender documents issued by Procurement 	✓	
<p>10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues</p> <p>National Anti-Fraud Network, DWP Fraud Investigation Service, Essex Audit Group, Cambridge Audit Group, Essex & Hertfordshire Investigators Group, Local Authority Investigators Group, Essex Insurance & Risk Group, Essex Insurance Officers Group, External Audit Commission.</p>	✓	
<p>11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters</p> <p>National Fraud Initiative, DWP Fraud Investigation Service, National Anti-Fraud Network, Essex Audit Group.</p>	✓	
<p>12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?</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>13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?</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>14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?</p> <p>Prevention of Money Laundering procedure available to staff on the Intranet.</p>	✓	
<p>15. Do we have effective arrangements for:</p> <ul style="list-style-type: none"> • Reporting fraud – guidance within the Counter Fraud Strategy including Fraud, Corruption and Dishonesty Policy and Whistleblowing Policy. • Recording fraud – Fraud is recorded by the Audit, Insurance & Fraud Manager. 	✓	
<p>16. Do we have effective Whistleblowing arrangements? In particular, are staff:</p> <ul style="list-style-type: none"> • aware of our whistleblowing arrangements? – Whistleblowing Policy is available to staff on the Intranet. Awareness also included in the Corporate Quality and Compliance reviews. Whistleblowing Policy is also available on the Council's website 	✓	

<ul style="list-style-type: none"> • have confidence in the confidentiality of those arrangements? <p>We have not been made aware that staff do not have confidence.</p>	√	
<ul style="list-style-type: none"> • confident that any concerns raised will be addressed? <p>We have not been made aware that staff have concerns</p>	√	
<p>17. Do we have effective fidelity insurance arrangements?</p> <p>Policy in place which covers all staff but increased cover for specific senior posts.</p>	√	
FIGHTING FRAUD WITH REDUCED RESOURCES		
<p>18. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud once SFIS has been fully implemented?</p> <p>We will continuously monitor the situation following transfer to the SFIS</p>	√	
<p>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?</p> <p>A pan-Essex submission was made but failed to obtain funding</p>	√	
CURRENT RISKS AND ISSUES		
<i>Housing Tenancy</i>		
<p>20. Do we take proper action to ensure that we only allocate social housing to those who are eligible?</p> <p>Choice Based lettings covered as per the Audit Plan</p>	√	
<p>21. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?</p> <p>No housing stock to monitor</p>	N/a	
<i>Procurement</i>		
<p>22. Are we satisfied our procurement controls are working as intended?</p> <p>The Internal Audit Plan is produced on a risk analysis and includes various aspects of procurement</p>	√	
<p>23. Have we reviewed our contract letting procedures in line with best practice?</p> <p>The Contract Procedural Rules are currently being reviewed and will include changes as required by The Public Contracts Regulations 2015</p>	√	
<i>Recruitment</i>		
<p>24. Are we satisfied our recruitment procedures</p> <ul style="list-style-type: none"> • Prevent us employing people working under false identities • Conform employment references effectively 	√ √	

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

Operational Risks		Agenda No: 13																																				
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: Risk Policy, Strategy and Implementation Plan – Council 19 th April 2006		Public Report																																				
Options: N/a		Key Decision: No																																				
Executive Summary: <p>Operational risks are those risks which managers and staff are likely to encounter in the day-to-day work situations.</p> <p>On an annual basis, Heads of Service are requested to update their risk register which is then included in the Annual Business Plan for their service. The individual service's risk register is then amalgamated to form the Corporate Operational Risk Register. (Appendix 1)</p> <p>Prior to this update, there were 69 operational risks of which 17 were above the tolerance line which required an additional action plan to be produced and implemented. The current review has identified 68 operational risks of which 13 are above the tolerance line:</p>																																						
<table border="1"> <thead> <tr> <th>Operational Risks</th><th>No. of Risks</th><th>No. above Tolerance Line</th></tr> </thead> <tbody> <tr> <td>Business Solutions</td><td>6</td><td>0</td></tr> <tr> <td>Environmental & Leisure</td><td>10</td><td>1</td></tr> <tr> <td>Sustainable Development</td><td>11</td><td>1</td></tr> <tr> <td>Financial Services</td><td>4</td><td>1</td></tr> <tr> <td>Operations</td><td>17</td><td>9</td></tr> <tr> <td>HR/ODL</td><td>2</td><td>0</td></tr> <tr> <td>Governance</td><td>6</td><td>0</td></tr> <tr> <td>Strategic Housing & Community</td><td>6</td><td>1</td></tr> <tr> <td>Chief Executives</td><td>3</td><td>0</td></tr> <tr> <td>Braintree Town Hall</td><td>3</td><td>0</td></tr> <tr> <td>Total</td><td>68</td><td>13</td></tr> </tbody> </table>		Operational Risks	No. of Risks	No. above Tolerance Line	Business Solutions	6	0	Environmental & Leisure	10	1	Sustainable Development	11	1	Financial Services	4	1	Operations	17	9	HR/ODL	2	0	Governance	6	0	Strategic Housing & Community	6	1	Chief Executives	3	0	Braintree Town Hall	3	0	Total	68	13	
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Total	68	13																																				

Decision: Members are asked to note the updated status of the Council's Operational Risks.
Purpose of Decision: To demonstrate that the Council regularly updates the operational risks, which may affect the achievement of service objectives and actively manages them as appropriate.

Any Corporate implications in relation to the following should be explained in detail	
Financial:	None
Legal:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Lesley Day
Designation:	Audit Insurance & Fraud Manager
Ext. No.	2821
E-mail:	lesley.day@braintree.gov.uk

CORPORATE OPERATIONAL RISK REGISTER 2015**BUSINESS SOLUTIONS**

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS1	D2	D2	No	Total failure of IT systems * There is also risk of partial failure of systems, but the impact and likelihood would depend on the failure.	Mains power/UPS failure. Software/hardware failure. Air conditioning failure. Viruses. Human Error	Staff unable to work. Reduction in customer service provision across the authority No access to information/loss of data Adverse PR
Business Solutions	BS2	D3	D3	No	Failure of telephone system	Mains power/UPS failure Human error Loss of telephone line and other external factors Software/ hardware failure	No communications Reduction in customer service provision across the authority Impact on staff working
Business Solutions	BS3	E3	D3	No	Website Failure	Unavailability of hosted website Loss of ability to update website Hacking of website	Reduction in customer service Adverse PR Possible effect on income levels dependent on duration of loss
Business Solutions	BS4	D2	B2	No	Data (IT) security breach	Loss/theft of data Security breach on laptops or removable media Insecure email Hacking	Adverse PR and reputation of the Authority Legal proceedings

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Business Solutions	BS5	D2	D2	No	Out of hours lone working	Injury caused by accident, ill-health or security breach	No security, possible fatality due to no contact with CSDO. No emergency customer service
Business Solutions	BS6	D2	D2	No	Building Security	Security breach	Confidential Data loss due to security breach. Injury to lone worker

SUSTAINABLE DEVELOPMENT

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Development Management and Planning Policy	SD1	D3	C3	No	Lowering in S.106 contributions & developers seeking to re-negotiate.	Change in government policies Reduction in number of applications. Continuing economic depression.	Reduction in number of affordable housing units provided. Reduction in finance for infrastructure.
Development Management and Land Charges	SD2	D3	D2	No	Effect on applications due to economic downturn. Economic downturn – effect on number of house sales.	Reduction in number of applications (not down on last year – lower number, higher fee). Reduction in number of land charge searches.	Impact on base budget and MTFS. Staffing impact. Impact on Land Charges budget Staffing impact.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Planning Policy	SD3	D2	D2	No	Government Policy	Changes in Government regulations.	Additional policy staff time (eg assisting local community plan preparation and preparation of CIL). Staffing impact.
Development Management	SD4	D3	D2	No	Unknown state of trees under the Council's responsibility and possible subsidence caused by trees. Unknown ownership of trees and lack of clarity of responsibility.	Falling trees increase	Death/disablement of person. Investigation by HSE. Corporate Manslaughter Act may apply. Legal action / Public Liability Insurance claim. Adverse PR.
Development Management	SD6	D3	B2	No	Damage to property as a result of dead / structurally compromised Ash Trees on Council land as a result of Ash Die-Back Disease. There are implications to the council in regards to how it manages its Ash tree stock is in the light of this emerging disease.		The local authority may be liable for payment of damages.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Economic Development	SD 17 (New)	D2	N/A	No	Failure to secure necessary agreements for new enterprise units.	Unsuccessful negotiations.	Need to identify alternative delivery arrangements.
Asset Management	SD8	D3	C3	No	Decline in economic conditions.	Higher voids, reduction in rental values and values realised in the disposal of surplus assets.	Reduction in revenue and capital income.
Asset Management	SD15	D3	D3	No	Henry Boot not proceeding with the redevelopment of the Town Centre site.	Planning permission not submitted by April 2015.	Timescales can be renegotiated to assist Henry Boot in coming forward with a planning application.
Asset Management	SD16	D3	D3	No	Land East of High Street, Halstead not being sold.	Purchaser not proceeding	If purchaser does not proceed then site re-marketed for residential development.
Town Centres	SD14	D3	D2	No	Failure to deliver the Portas Pilot may result in reputational risk to the authority as part of being a national pilot for town centres.	Project monitoring and management systems to be put in place.	Reputational risk

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Land Charges	SD10	C2	D2	Yes	Government proposals for HM Land Registry to be responsible for Land Charges register.	Statute being passed by Parliament.	Divide searches between HM Land Registry and local authorities.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Liaison established with Land Registry to maintain flow of information. Staff involved fully briefed with any information we receive. Notifications of progress of infrastructure bill through parliament. Highlighted as opportunity through the better at business agenda	Study proposed secondary legislation when released to assess opportunities and constraints. Opportunities fully investigated through better at business agenda.	Emma Goodings	Progression of bill through parliament.	As appropriate when updates from government.	March 2015	Meeting held with Land Registry and email communication established. Regular staff briefings including with HR where appropriate.

STRATEGIC HOUSING/COMMUNITY

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Strategic Housing	SH1	C3	C3	No	Impact of Housing Allocations Policy following review in November 2012	Reviewed policy put into practice November 2012.	<ul style="list-style-type: none"> Higher number in need Increased challenges from people impacted negatively by changes Housing providers may make less use of the system Withdrawal of local authority(s) if policy not agreed to satisfaction of all 8 participating Councils.
Strategic Housing	SH2	B2	B2	Yes	<p>Increase in number of households homeless</p> <p>BVPI's Stats Homelessness Acceptances:- 07/09 = 283 08/09 = 195 09/10 = 103 10/11 = 93 11/12 = 137 12/13 = 164 13/14 = 166 14/15 =</p>	<p>Housing Benefit Changes:-</p> <ul style="list-style-type: none"> * April 11 - LHA limited to a max 4 bed home *LHA Cap for new tenants and phased in for existing tenants from 1 January 2012, 30th percentile of rents from October 2011 *January 12 - LHA threshold for the shared rate for single people increased from 25 to 35 <p>Other benefit changes:- Personal Independent Payment (PIP) 2015/16 *Universal Credit for first time single claimants. *The introduction of universal credit may mean more private landlords will not accept applicants on benefits. * Possible further reduction</p>	<ul style="list-style-type: none"> Less private rented accommodation is now within housing benefit levels; Increased demand on rent deposit/bonds scheme; Increased demand for discretionary housing benefit Increase in applications to the Housing Register Need for additional staffing in both the Housing Assessment and Housing options Team If access to the private rented sector becomes more difficult it may lead to the need for additional temporary accommodation as part of the Councils statutory homelessness duties. Possible use of Bed & Breakfast accommodation. If the benefit cap is reduced further will impact on more households particularly. Those in the private sector and housing association tenants in properties at affordable rent level may be more at risk of losing their home.

						<p>of the total benefit cap. * Reduction of the amount of funding given to the Council for discretionary housing payments (DHP).</p> <p>For 2014/15 it was £204,936.</p> <p>2015/16 it will be £162,654.</p>	<ul style="list-style-type: none"> Potentially more demands on DHP funding pot, the amount is uncertain form year to year. If DHP reduced more people may need to move.
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Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>1. Homelessness Review and Strategy 2013 to 2018.</p> <p>2. Homelessness Strategy Action Plan for 14/15.</p> <p>3. Increased funding made available in 09/10 for rent deposit and bonds. - DCLG Recession Impact Funding £6,000. DCLG Repossession and Eviction Prevention Funding £47,500. Essex Wide Rental Loan Scheme 2009/10 £11,177 and 2010/11 £11,197</p>	<p>1. Housing Service monthly review of homelessness activity</p> <p>2. Quarterly update also produced</p> <p>3. Keep under close review.</p>	Joanne Albin/Donna Goodchild	NI156, BV213, BV183a, BV183b, BV202, BV203	Monthly		<ul style="list-style-type: none"> A new Homelessness Strategy for 2013 to 2018 has been agreed by Cabinet 30 September 13. Landlord Select scheme has been set up to help promote the work we do with private sector landlords. An additional Housing Options Officer has been appointed on fixed term contract. Participation in peer review process 2014, with our first 'Gold Standard' application in January 15. The process is designed to help local authorities deliver more efficient and cost effective homelessness prevention services. New Senior Housing Options Officer appointed from April 15.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Strategic Housing	SH3	C3	C3	No	<p>Affordable Housing Development Risks</p> <p>Whilst we are expecting excellent performance in 2014/15 with 173 completions* and 95 starts, the real focus now needs to be given to the affordable housing supply chain two three years ahead.</p> <p>a) Reduction / insufficient funding or sites being brought forward for development by landowners. (Note - of the 173 completions expected 14/15 - only 28 are through standard s.106 agreements and with the 95 new starts only 41 are through standard s.106 agreements which shows the importance of BDC's current ability to underwrite schemes and sites on Greenfields own land).</p> <p>b) Lack of capacity/willingness of registered providers to take on affordable housing development.</p>	<p>Limited bank lending. Fewer capital receipts. Unpredictable external funding. General economic market conditions.</p>	<ul style="list-style-type: none"> Limited capacity for new development to meet housing needs and regeneration Seek alternative funding streams. Unable to meet homelessness need Private sector considered more of an option to meet housing need <p>(*Please note the Council's Annual Plan 2014/15 target is 100 affordable homes).</p>

Strategic Housing	SH4	C3	C3	No	Maintaining service and performance levels under increased demand for services.	Sickness levels increase including stress related illnesses Staff leaving/ retirement Diversion of resources Insufficient capacity for peak workloads	<ul style="list-style-type: none"> • Decrease in staff morale • Backlog in work • Effect on PI outturns • Non-delivery of other departments projects
Strategic Housing	SH5	D2	D2	No	Relationship between BDC and Greenfields becomes strained.	Ability to sustain Service Level Agreements after initial contract period Potential contradiction with BDC Housing Strategy and GCH Business Plan	<ul style="list-style-type: none"> • Use of Bed & Breakfast facilities for housing the homeless • Cost implications Staff under increased pressure (sickness levels rise) • Difficulty in working with GCH in other areas such as new development.
Strategic Housing	SHS6	D2	D2	No	Ageing housing properties owned by the Council, risk of major repairs that would have significant cost implications or potentially close a scheme suddenly. We own: The Refuge in the district*, 129 to 135 Bradford Street, Braintree – was surveyed * We do not have repair responsibilities.	Major issues that may lead to very costly work to properties.	<ul style="list-style-type: none"> • Significant costs not budgeted for or sudden closure of a scheme. • If a scheme closed suddenly it could mean significant additional costs to the council to secure alternative accommodation.

ENVIRONMENTAL SERVICES

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence	
Leisure Services	E13	A2	C2	Yes	The closure of Braintree swim centre for any prolonged period due to latent defects	Pool having to be shut for more than 5 days	Loss of service and credibility and financial consequences if unable to claim against the warrantees.	
Action/controls already in place		Required management action/control		Responsibilit y for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Pursuing the original firms involved in the construction of Braintree Swim centre to make them aware of the defects in attempt to get them rectified asap.		To maintain momentum in pursuing the companies concerned to get a successful conclusion.		Andy Wright Lee Crabb	All latent defects resolved by the end of this year	Monthly	Ongoing	Letter already send to ISG Jacksons the main contractor, letters to be sent to other companies

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Leisure Services	E12	D2	C2	No	The loss of the Leisure Contracts Manager for any significant period will place the service at risk with the loss of knowledge expertise.	The Leisure Contracts Manager being off for more than 4 weeks.	Possible service failure
Licensing	E3	E1	E1	No	The Council approves a Premises Licence for a large scale event attendee by a large number of people where a major Health and Safety incident occurs	Notification of a major Health and Safety incident	People are injured/killed Buildings are damaged Bad reputation for organisation

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance ?	Vulnerability	Trigger	Consequence
Environmental Protection	E4	E2	E2	No	The possibility that we come across a large unknown contaminated land site that either belongs to BDC or is an "orphan Site".	Discovered whilst undertaking inspection regime	Bad reputation for organisation Unplanned expenditure of unknown value
Building Control	E6	D3	C2	No	Effect on the number of Building control applications due to economic downturn in the local construction market.	The predicted out turn is less than the income target.	Severe overspend on the councils revenue budget
Pest Control	E7	B4	B2	No	Pest Control - demand for the service decreases delivering a lower than estimated income. People on low income do not use pest control services, despite the concessions offered. DIY treatments could in themselves increase risks to the householder and the environment.	The predicted income out turn doesn't reach the breakeven point.	Loss of income Staff and vehicle resource implications Implication on fixed service costs and overheads
Licensing	E15 (new)	D3	n/a	No	Part of the legislation requires councils to advertise any increase in Hackney Carriage fees above £25. This Council has failed to do this in the past and therefore the trade could ask for the repayment of old fees back as they have done in Colchester and Chelmsford.	The local trade becomes aware of what is happening elsewhere and decide to research if we advertised the increase in the fees.	Repayment of fees of £100,000

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Corporate Health & Safety & Emergency Planning	E16	A3	N/A	No	The loss of the Health & safety and Emergency Planning Manager may expose these corporate services to risk, especially with the loss of knowledge and expertise.	The retirement of the Health & safety and Emergency Planning Manager.	Possible failure of both services.
Leisure	E17	F1	D1	No	Loss of life/severe disablement of a member of the public using BDC's leisure facilities	Death. Disablement/severe injury. Health & Safety procedures and assessments not completed and actioned upon	Investigation by HSE. Corporate Manslaughter Act may apply. Legal action / Public Liability Insurance claim. Possible uninsured fine. Adverse PR. Increased insurance premiums. Impact on business
Leisure	E18	C3	B2	No	Financial risk with the JUA negotiations breaking down with Ramsey and Tabor Academy	School failing to make further payments to BDC for JUA costs	BDC left with loss of income

OPERATIONS

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP1	C2	C2	Yes	Loss of external income from trade waste.	Trade Waste Audit.	Loss of customers Reduction in income to the Council Higher disposal charges Potential increase in cost to customers which may result in loss of competitiveness.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Waste Operations Manager & Team in place to review and promote service and make service changes to promote recycling to trade customer premises.	Constant review of customer base. Regular customer liaison. Identify new and potential customers to introduce primarily recycling trade waste service.	Waste Operations Manager	Retention of existing trade customers. Identifying and taking on new customers. Introduction of recycling service to new and existing customers. Linked into Integrated Commercial and Domestic Collections (ICDC).	On-going	July 2015	145 customers signed up to new trade waste recycling service. Report produced recommending future action. Trade properties included with domestic properties for routing on Integrated Commercial and Domestic Collections (ICDC).

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP2	B2	B2	Yes	<p>a) Rise in fuel and utility costs in excess of base budget.</p> <p>b) Fuel Drivers Strike or Fuel Blockade preventing delivery of fuel to site.</p>	<p>Increase in fuel prices and gas, electricity and water charges.</p> <p>Industrial action undertaken by trade unions.</p>	<p>a) Increase required in base budget.</p> <p>b) Fuel depletion affecting service delivery – potential non delivery of services.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>a) Fuel costs are kept under constant review by Waste Operations Manager. Routes schedules to maximise fuel economy. SUM regularly reviews utility costs.</p> <p>b) Maintain fuel stock levels. Re-order when fuel tanks reach 40% capacity – allowing for 4 weeks operations.</p>	Continued monitoring of prices. Bulk ordering at keen prices.	<p>a) Waste Operations Manager</p> <p>b) Paul Partridge</p>	<p>a) Ability to maintain all services to fulfil statutory obligations. Only pay for what is consumed.</p> <p>b) Ability to maintain continuity of core services.</p>	<p>Quarterly as part of budgetary control and annually as part of the business and financial planning processes</p> <p>b) Annually or in the event of proposed industrial action.</p>	<p>a) Quarterly and annually or immediately after the announcement of any event that may affect service deliver.</p> <p>b) Annually.</p>	Report to Management Board prepared outlining potential impact for 2015/16 based on reviewing national and countywide industrial action plans.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP3	C2	C2	Yes	Fluctuation in the income received for glass recycle only. The dry recycling is now in a five year contract for a fixed sum per tonne incl. gate fee and haulage.	Global market saturation. PRN's. Changes to legislation.	Gate fee/haulage may increase, resulting in reduction in income against proposed budgets. May have to stockpile glass, which will require additional storage facilities. Glass going to landfill (contrary to national local targets). Negative customer perception and adverse PR.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Annual contract with glass re-processor that can only be varied by agreement.	Review of arrangement in January of each year. Ad-hoc reviews, as required, subject to any change in the market.	Waste Operations Manager	Zero gate fee or lowest fee achievable.	Annually	Annually Jan 15	Out to review as current processor cannot take glass anymore owing to operational changes. Best prices and haulage costs to be obtained.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP4	C2	C2	Yes	Failure by contractors to deliver grave digging - loss of service arising single service provider (no back-up).	Default in performance of the contractor for whatever reason.	Burial services postponed. Distress to relatives. Adverse publicity. More pressure on staff.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Contact details kept for local service providers who can offer back up support in times of crisis.	Contract to be re-tendered with improved specification	N Day	Ability to maintain services and fulfil statutory obligations.	Annually	June 15	On target.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP5	D2	D2	No	Ability to maintain front-line services.	High levels of recurring or long-term sickness absence.	Increased pressure and stress on staff affects morale and motivation. Additional cost in having to recruit temporary staff. Failure to meet service standards.
Operations	OP6	D2	D2	No	Service continuity and resilience - capacity, skills, knowledge and experience.	Loss of key personnel arising from resignation, early retirement, long-term sick, etc.	Impact on ability to deliver services; increased pressure on remaining staff; ability to comply with statutory requirements and fulfil legal obligations.
Operations	OP7	B3	B3	No	Demand for allotments exceeds supply.	Increased demand from residents.	Inability to comply with statutory duty to provide allotments in Braintree
Operations	OP8	E3	E3	No	Termination of Parking Partnership in relation to off-street parking.	Dissolution of North Essex Parking Partnership.	BDC would have to fund and manage the operation of off-street parking. Need to recruit staff. Initial adverse impact on service deliver.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP9	D2	D2	No	Loss of external income from schools grounds maintenance service.	Market forces. SLA renewal and schools testing competitiveness of our service.	Loss of income. Staff and vehicle resource implications (redundancy).
Operations	OP10	C2	C2	Yes	Loss of income from Markets.	Reduction in market traders. Current economic downturn. Adverse weather.	Loss of income. Affects prosperity of town centres. Reduction in customer satisfaction.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Waste Operations Manager working with Market Team to review and develop service and relationships	Increase market traders and income through additional publicity and incentives to attract new traders onto markets	Waste Operations Manager	Increase interest in markets. Develop customer growth and footfall and increase income.	On-going	March 2015	Now linked to 'Backing Our Towns' and town regeneration strategy. Corporate review of markets underway using external consultancy. New market trader terms and conditions in place.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP11	C2	C2	Yes	Loss of external income on renewal of SLA re: Cordons Farm.	Greenfields review of requirements going forward.	Need to increase base budget to provide service if Greenfields requested a decrease in costs for Cordons Farm SLA.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
On-going quarterly SLA meetings in place, no risk to partnership.	Maintain partnership and uphold communication	Waste Operations Manager	Improved partnership working and continued service provision under SLA.	Quarterly	Nov 2015	SLA on-going. Robust partnership and continued excellent service provisions. Extension of SLA agreed in principle.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP12	D2	C2	No	Loss of external income from the grounds maintenance element of the new leisure contract.	When the grounds maintenance element of the leisure contract is re-tendered in August 2016.	Loss of income. Staff and vehicle resource implications (redundancy).
Operations	OP13	C2	C2	Yes	Reduction or loss of revenue for dry recycling.	At the end of the current contract with Viridor.	Loss of income to BDC Affecting costs of the service to householders and a requirement to increase base budget.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Check market price trends. Compare situation of other contracts that have recently been let.	Market testing/procurement exercise from 2015 on the anniversary of the contract, to check market price trends. Possibly links to ECC and county wide waste disposal/contract with incumbent contractor.	Waste Operations Manager	Maintain revenue stream.	Annually on anniversary of contract.	April 2015	Regular market price checked as stated by MRW and WRAP. Review contract developments external to BDC.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP14	C2	C2	Yes	Reduction in IAA funding from ECC.	ECC can no longer afford to fund the agreement.	Significant financial impact on food waste service and ability to deliver this without a significant increase in base budget.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Some reductions built into base budget.	Refute/refuse any further revenue reduction by ECC as this will impact on service delivery.	P Partridge & Waste Operations Manager	Maintain same levels of funding from ECC.	On-going	?	Neighbouring council are disputing the revenue reductions through legal process. BDC will await the outcome of this.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP15	C2	C2	Yes	Failure by contractors to deliver fleet maintenance service.	Default in performance of the contractor for whatever reason.	Major disruption to the refuse and recycling service. Failure to meet obligations in relation to operator's licence. Potential for increased costs.

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Contact details are kept for all local maintenance providers and neighbouring authorities that have in-house maintenance facilities.	Default clauses and costs to be recovered from the main service provider. Interim agreement to be put in place for replacement service provider. Contract to go back out to tender with improved specification.	P Partridge	Ability to maintain services. Ability to meet the requirements of the Council's 'O' Licence	Quarterly	Feb 2015 May 2015 Aug 2015 Nov 2015	On target.

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Operations	OP16	E3	E3	No	Termination of partnership with Essex County Council re: Gt Notley Country Park.	ECC may decide not to continue with the partnership agreement.	BDC would have to manage and operate the service for which an increase in budget would be required.
Operations	OP17	D2	D2	No	<p>Efficiencies not realised.</p> <p>Impact on staff both in Operations and CSC.</p> <p>No change in customer service – no change of behaviour after implementation, i.e. no reduction in missed bin complaints</p>	<p>Level of paper trail and paperwork generation remains unchanged.</p> <p>Lack of staff 'buy-in' Poor understanding of project and intended outcomes</p> <p>Implementation.</p>	<p>Efficiency savings not realised. Service is no further forward.</p> <p>Lack of support during implementation.</p> <p>Customer dissatisfaction.</p>

FINANCIAL SERVICES

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Financial Services	F1	D2	D2	No	Computer hardware failure	New virus IT downtime in excess of 24 hours	Loss of processing Loss of unsaved data Lack of service Effect on PI outturns
Financial Services	F2	C2	D2	Yes	Maintaining service and performance levels with reducing staff numbers	Sickness levels increase including stress related illnesses Staff leaving Diversion of resources Insufficient capacity for peak workloads	Decrease in staff morale Backlog in work Effect on PI outturns Non-delivery of other department's projects Uncoordinated expectations

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
Health and Wellbeing programme available to staff Business Planning process and performance reviews Sickness management policy Endeavour to ensure resilience with cover arrangements – training available for staff Staff kept informed – meetings and other communications with staff	Review of Internal Audit Service following notice of Auditor's intention to retire in August 2016	Service Manager and Head of Finance	Service standards and performance	Ongoing	October 2015 (budget process commences)	

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Financial Services	F3	D2	D2	No	The Council invests its surplus monies with financial institutions and in pooled funds. The impact of the current economic climate on financial institutions makes the selections of a strong counter party, with which to invest, crucial	Failure of a counterparty Significant number of people with mortgage under LAMS default on repayments Repayment from pooled fund required which would incur a loss	Loss of the principal sum and/or interest due Unplanned service cuts and/or use of balances Decline in Council reputation
Financial Services	F4	D2	D2	No	Payroll system is shared with Colchester Borough Council	Colchester BDC inadvertently corrupts the system or causes the system to be unavailable for an extended period	Staff and members not paid on time Compensation claims if bank charges are incurred by staff and members

CHIEF EXECUTIVE'S

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Chief Executives	CE1	E2	E2	No	Staff absence due to sickness long-term & leaving organisation	Long-term sickness and staff leaving	Delivery of service would need to be-assessed. Should any of the 'wider' team be absent for any period of time, this would have a similar impact as CE team would have to pick up Directors' work.
Chief Executives	CE2	E2	E2	No	Loss of outside venue for civic event.	Bankruptcy, damage e.g. flood/fire, severe weather rendering venue inaccessible.	Event may need to be cancelled at the last minute. Loss of money, need to pay outside contractors
Chief Executives	CE3	C3	C3	No	Instruction from central government to host and organise events e.g. Land Army presentation, Armed Forces Day, Commonwealth flag raising event	Contact from central government	Impact on staffing and financial resources

HR/ODL

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
HR & ODL	HR1	C3	C2	No	Corporate talent management and succession planning	Loss of skilled and experienced staff through ageing workforce	Deterioration in service standards and failures to deliver statutory duties and key services
HR & ODL	Hr2	D2	D2	No	HR/ODL system is shared with Colchester Borough Council	Colchester BDC inadvertently corrupts the system or causes the system to be unavailable for an extended period	New starters/leavers may not be actioned and possibly not paid/over paid Current personal information may not be accessible Current training records may not be accessible

GOVERNANCE

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Governance	G1	D2	D2	No	Insufficient persons to resource elections, specifically Presiding Officers, Poll Clerks and Counters	Low level of expressions of interest	Failure to deliver an election with subsequent issue of an Election Petition Judicial intervention Adverse PR for authority Loss of public confidence in Democracy
Governance	G2	E1	E1	No	Failure of printing of ballot papers and associated documentation	Failure of print suppliers	Failure to deliver an election with subsequent issue of an Election Petition Judicial intervention Adverse PR for authority Loss of public confidence in Democracy
Governance	G3	D2	D2	No	Unable to achieve minimum statutory/legal requirements due to lack of skilled resources	Staff turnover levels Lack of skilled staff	Failure to deliver an election with subsequent issue of an Election Petition Judicial intervention Financial impact of obtaining short term cover and replacement staff Adverse PR
Governance	G4	C3	C3	No	Printing of major committee reports such as Council and Cabinet leading to the non-delivery of the printed papers	Failures within print room or printing resources	Failure to deliver paper copies in a timely fashion Potential for additional cost from using local printers
Governance	G5	E2	E2	No	Loss of meeting rooms in relation to a pre-booked meeting	Loss of room	Need to find alternative venue

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Governance	G6	D2	D2	No	Loss of IT resources – Election system Legal case management system Committee system	Loss of IT resources Loss of internet for Committee system	Reduced ability to function as a service Potential for missed deadlines and penalties resulting from this Key resources may be unavailable Where practical, paper alternatives are in existence however this is a risk we must manage and live with

BRAINTREE TOWN HALL

Service	Risk Number	Current Risk Rating	Previous Risk Rating	Above Tolerance?	Vulnerability	Trigger	Consequence
Braintree Town Hall	BTH1	D2	N/A	No	High income dependency upon small number of customers.	One or more of significant customers leaves.	Immediate income deficit and delay whilst new customers are secured.
Braintree Town Hall	BTH2	E2	N/A	No	Safety of staff customers, public and contents from fire, storm or flooding damage to the building but mitigated by maintenance, health, safety & security of the building.	Fire, storm, arson and theft	Threat to life. Insurance claim.
Braintree Town Hall	BTH3	D3	N/A	No	Staff lone working	Verbal or physical abuse of Town Hall staff lone working.	Physical or emotional harm.

Strategic Risk Management		Agenda No: 14
Corporate Priority: Delivering excellent customer service		
Report presented by: Trevor Wilson, Head of Finance		
Report prepared by: Trevor Wilson, Head of Finance		
Background Papers: Risk Policy, Strategy and Implementation Plan – Council 19 th April 2006. Strategic Risk Management report to Cabinet on 30 th March 2015		Public Report
Options: To agree or suggest amendments to the Council's approach to Risk Management.		Key Decision: No
<p>Executive Summary: The report provides detail of the review of and updating of the Council's Strategic Risk Register as agreed by the Cabinet at its meeting on 30th March 2015.</p> <p>The Strategic Risk Register agreed by the Cabinet on 29th September 2014 was reviewed by Management Board and Cabinet Members during February 2015; the outcome is this updated register.</p> <p>The register details the risks which have potential to impact on the delivery of the Corporate Strategy over the medium-term. In addition to undertaking this review of the register the Management Board ensures that the register continues to be current by reviewing and updating the strategic risks, as necessary.</p> <p>The strategic risk register forms one part of the Council's overall approach to risk management, other facets include: processes for identifying and recording operational risks, risk registers for major projects, business continuity planning and emergency planning.</p> <p>The number of strategic risks identified has remained unchanged at seven, since the last review conducted in May/July 2014.</p> <p>The risks were reviewed and the details updated as appropriate. The number of risks above the Risk Tolerance Line (See Appendix A) requiring active management has also remained at five, with the risk rating for all five continuing to be C2 (Significant Likelihood and Critical Impact).</p>		

A summary of the risk ratings made at the reviews are shown in the table below:

Risk Rating	May/July 2014	Feb. 2015
C2 (<i>Significant likelihood/ Critical impact</i>)	5	5
D2 (<i>Low likelihood/ Critical impact</i>)	2	2
Total number of risks on Strategic Register	7	7

Management Action Plans for managing each of the five risks above the risk tolerance line are owned and monitored by the relevant Corporate Director. Details of the risks together with the Management Action Plans are provided at Appendix B.

Decision

Members are asked to note and endorse the Strategic Risk Register and the Action Plans for managing the high rated risks.

Purpose of Decision:

For members of the Governance Committee to be assured that the Council's strategic and operational risks, with a high risk rating, are being actively managed.

Any Corporate implications in relation to the following should be explained in detail	
Financial:	Risks and associated management action plans concerning the Council's finances are highlighted in risks numbers 1 and 8.
Legal:	There are no specific risks of a legal nature at this time.
Safeguarding	There are no specific risks regarding safeguarding at this time.
Equalities/Diversity	The Council's processes and approach to equalities and diversity are well developed and are not regarded as a risk.
Customer Impact:	The potential impact on a proportion of residents in the district, in particular vulnerable groups, of the Government's Welfare Reforms is identified at risk number 4. A management action plan is included detailing the actions taken and planned to reduce the risk.
Environment and Climate Change:	Whilst the risk concerning the Council's approach to climate change was removed from the Strategic Register it continues to be identified as an operational risk by the relevant services.
Consultation/Community Engagement:	No specific risk identified concerning consultation and community engagement however these are important elements in a number of the strategic risks on the register e.g. Local Development framework and Community Resilience.
Risks:	A robust Risk Management process is an important element of the Council's governance arrangements.
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No.	2801
E-mail:	Trevor.wilson@braintree.gov.uk

STRATEGIC RISK PROFILE

Braintree District Council February 2015

<div>↑</div> <div>likelihood</div>	A				
	B				
	C			1, 2, 3, 4, 7	
	D			6, 8	
	E				
	F				
		IV	III	II	I

Impact →

Likelihood:

- A Very high
- B High
- C Significant
- D Low
- E Very low
- F Almost impossible

Impact:

- I Catastrophic
- II Critical
- III Marginal
- IV Negligible

Strategic Risk Register including Management Action Plans (where appropriate)

Medium-Term Financial Strategy – 1

Risk Rating C2 (C2 July 14)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council sets a Medium-Term Financial Strategy (MTFS), covering a four-year period, which is reviewed and updated annually.</p> <p>Assumptions are made about anticipated changes on the revenue account e.g. government grant levels, income levels, inflation, pay awards, council tax collection rates, etc. together with planned and anticipated efficiency savings, council tax levels and the use of balances.</p> <p>Assumptions are also made regarding capital resources with a capital programme being planned and agreed against these resources.</p> <p>The Government's Spending Review 2013 and Autumn Statement announced in December 2014, respectively, confirmed the continued reduction in funding to local government and reinforce the commitment to its deficit reduction plan and to returning the public finances to a sustainable position.</p>	<ul style="list-style-type: none"> • Government funding settlements are reduced by more than anticipated. • Other organisations which provide significant contributions to the Council face their own funding pressures and may require greater reductions than expected. • Circumstances change which render the planned savings unachievable. • Other financial assumptions prove incorrect. Including income budgets not achieved, particularly interest receivable from the £10m invested in equity and property funds. • Economic conditions and market fluctuations cause changes at or before contract renewal e.g. contract for sale of recyclates. • Capital receipts are not received as planned. • Capital resources insufficient to finance capital programme. 	<ul style="list-style-type: none"> • Priorities and projects are not delivered. • Cuts necessary to services • Rushed decisions to find other savings • Staff unsettled and de-motivated. • Financial savings are not achieved; balances used more than planned. • Assets not fit for purpose • Satisfaction levels with the Council fall • Cannot implement low council tax strategy

APPENDIX B

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Robust budget review and setting process involving Management Board and Cabinet members developed over a number of years</p> <p>Unallocated balances significantly exceed minimum level of £1.5million.</p> <p>Regular Budgetary Control and monitoring processes in place, including:</p> <ul style="list-style-type: none"> Amount of council tax support awarded awards made from the Exceptional Hardship Fund; and Business rates and council tax collection rates. <p>Action plan developed following Peer Challenge, managed by the Local Government Association, in October 2013.</p> <p>Monitoring of returns on investments by Arlingclose, the Council's Treasury Management advisor.</p>	<p>Continue work to improve financial modelling for business rates income and New Homes Bonus grant.</p> <p>Improve monitoring and forecasting of income.</p> <p>Delivery against the workstreams contained in the Action Plan consisting of:</p> <ul style="list-style-type: none"> Commercialisation and 'Better at Business'; Grow our economy – increase business rate pot and secure external funds; Finance and Investment Strategy; Review contracts and procurement; Increase our income; Management and Service Reviews; and Sharing services or joint work. 	Corporate Director (CF)	<p>Financial savings delivered on time and as budgeted.</p> <p>Setting a balanced base budget and having plans to meet funding shortfalls in subsequent years of MTFS.</p> <p>Service and performance levels delivered as planned.</p> <p>Collection rates of council tax and business rates achieve planned levels.</p> <p>Budget variations reported in timely manner with explanation and action plan, where appropriate</p>	Monthly	<p>Feb. 2015 – Council</p> <p>Sept. 2015 – commence budget process for 2016/17</p>	<p>MTFS updated with the final financial settlement figure for 2015/16.</p> <p>MTFS provides a plan to provide a balanced base budget with the proposed freeze in council tax for 2015/16 at £159.57 (Band D). For planning purposes an increase in council tax of 2% is included for 2016/17 onwards. Shortfalls are to be addressed for 2016/17 of £0.13m; 2017/18 of £0.7m; and 2018/19 of £.6m.</p> <p>Estimated unallocated balance as at 31st March 2016 is £7.259million.</p> <p>Investment Strategy reviewed with £10m invested in equity and property funds and utilising borrowed monies, of £6m, to fund investments (e.g. commercial property and solar panels) to achieve improved rate of return over the medium-term.</p>

Economic Development – 2

Risk rating C2 (C2 July 14)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>The Council has identified Economic Development as a key Corporate priority for the District as set out in the Corporate Strategy.</p> <p>The District is looking for inward investment, job creation, business growth and investment in infrastructure. There is also a programme to sustain/grow our town centres.</p>	<p>Lack of investment in economic development and infrastructure prevents business growth and job creation.</p>	<ul style="list-style-type: none"> • Reduction in new jobs • Loss of revenue / growth in business rates • Less employment • Lower inward investment • Fewer new businesses being created • Less investment in infrastructure as a result of less development

APPENDIX B

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Strong working relationship with Essex County Council, Haven Gateway, e South East Local Enterprise Partnership (LEP), and the Essex Business Board on key priorities for economic development.</p> <p>Partnership with Essex County Council, Colchester and Tendring Councils and the Highways Agency on establishing a business case for improvements to the A120.</p> <p>District Economic Development Prospectus agreed, setting clear economic priorities</p> <p>District Investment into capital/revenue projects to create business growth in the District.</p> <p>Working in partnership with Ignite business to provide new business start-ups and to grow businesses.</p> <p>Close engagement with strategic businesses through the District Business Leaders Board</p>	<p>Continuing to develop a strong relationship with strategic businesses and working with them to lobby the South East LEP; Highways Agency; Network rail etc. to invest in the District's economic priorities</p> <p>Developing our inward investment offer through an Investment Prospectus and website</p> <p>Ensuring that we have a realistic delivery plan and maximising the use of available resources to lever investment in delivery, including New Homes Bonus</p> <p>Supporting Town Teams to develop a clear vision and ensuring that they have the capacity to deliver town centre regeneration</p>	Corporate Director (JH)	<p>Creation of new jobs</p> <p>New Business starts</p> <p>Business growth in the District</p> <p>Inward Investment in the District</p> <p>Investment into District infrastructure</p>	Quarterly		<p>Capacity of Economic Development Team strengthened to support delivery.</p> <p>Business community consulted on District Economic Development Prospectus, which sets clear economic priorities for the period to 2026.</p> <p>Work to ensure that key infrastructure projects are included in the Essex and LEP Strategic Plans.</p> <p>Springwood Drive Enterprise Units extension under construction and feasibility study underway for Witham Enterprise Centre</p> <p>Delivery of town centre infrastructure improvement projects in Braintree, Halstead and Witham underway</p> <p>Range of Portas Pilot initiatives delivered in three towns</p> <p>Investment in Town Centres and award from Government of Portas Pilot status.</p> <p>Allocation of £5m of New Homes Bonus funds to infrastructure projects agreed.</p>

Local Plan – 3

Risk Rating C2 (C2 July 14)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
<p>Braintree District Council has an adopted Core Strategy and is in the process of preparing a new Local Plan. In line with government policy this will need to deliver a substantially higher target for housing numbers than is currently set out in the Core Strategy As set out at Local Plan Committee in September 2014 this is likely to be in the range of 750-950 new homes each year.</p> <p>The Local Plan will be subject to an examination in 2016/17 and if found sound will hold full weight in planning decisions, up till this point it will hold limited weight based on its progress and the level of unresolved objections.</p> <p>Whilst the Local Plan is being produced, the Council may be at risk of being challenged by developers on its housing numbers.</p>	<p>Land owners submitting planning applications on unallocated sites.</p> <p>Lack of housing or economic growth leading to failure of allocated sites to deliver.</p> <p>Local Plan being found unsound when submitted for examination by the Planning Inspector.</p>	<ul style="list-style-type: none"> • Council may have to approve planning applications on sites outside of those proposed resulting in development which conflicts with the agreed spatial strategy • Loss of appeals on planning applications for development on unallocated sites outside of development boundaries. • Infrastructure requirements of new developments may not be sufficiently met. • Lack of new jobs in the District and failure to deliver job target • Inability to attract inward investment or business growth • Inability to attract skilled workers to the District • Council not able to meet its objectively assessed need for housing including affordable housing

APPENDIX B

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Engaging at a regional level.</p> <p>Joint working with other authorities.</p> <p>Good working relationships with Town and Parish Councils and community groups.</p> <p>Infrastructure implications will be a key part of the new Plan.</p> <p>Programme of reporting and decision making through Local Plan Sub Committee.</p> <p>Strong working relationship with major developers on key housing/commercial sites in the District.</p> <p>An Interim Planning Policy Statement which supports the development of proposed allocated sites in the Site Allocations and Development Management Plan and removes the phasing from the Core Strategy growth location sites.</p> <p>The Local Plan budget is proposed to be increased in 2015/16 to ensure the funds are available to provide the necessary evidence base documents and other work required to produce the Local Plan in the timescales proposed.</p> <p>An appeal fund is being proposed in the budget for 2015/16 to ensure the Council has sufficient funds to refuse applications which we consider unacceptable.</p>	<p>Work programme keeps to timetable to ensure adoption of the Local Plan in line with the project plan.</p> <p>Close working relationship with major landowners and agents in the District to work together on delivery rather than in opposition.</p>	Corporate Director Sustainable Development	<p>Ensuring Local Plan process is adopted/ approved on target.</p> <p>Outcome of appeal decisions relating to non-allocated sites.</p>	Quarterly	Ongoing	<p>Adoption of Core Strategy.</p> <p>Adoption of new Statement of Community Involvement.</p> <p>Approval of Interim Planning Policy Statement</p> <p>Publication of Local Plan Issues and Scoping document for public consultation.</p>

Community Resilience – 4

Risk Rating C2 (C2 July 14)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>There is a small proportion of the district's population that is affected by current changes to welfare reforms. However, a number of the changes are still working through and the impacts are uncertain, in particular, Universal Credit is due to be introduced gradually in the Braintree District from October 2015 and to be fully operational by 2017.</p> <p>There are a number of deprived areas in the district with children in poverty, health inequalities, lack of skills and higher unemployment.</p> <p>Educational attainment in the district (based on English and Maths GCSE results) is low compared to the rest of the county.</p> <p>There is a growing population of elderly people, within the district and nationally.</p>	<p>Break-down in family and community resilience.</p> <p>Council and other public sector organisations are not able to meet demand for services.</p>	<ul style="list-style-type: none"> • Some people do not receive the help they need. • Increase in homelessness • Increased demands on the Council's Housing and Customer Services • Increased health inequalities • Increase in number of households in fuel poverty • Increase in number of children in poverty • Requests for Discretionary Housing Payments and/or Exceptional Hardship Fund payments exceed resources allocated.

APPENDIX B

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Officer Welfare Reform group established.</p> <p>Additional staff taken on in Housing, Revenues and Benefits and Customer Services.</p> <p>Increased partnership working with Citizens Advice Bureau, Greenfields CH, Department for Work and Pensions and Fusion to assist those affected by the welfare changes.</p> <p>Discretionary Housing Payments allocation from the Government of £204,936 in 2014/15. Short-term assistance available to tenants facing difficulty with their rent.</p>	<p>Delivery of action plan prepared by Officer Welfare Reform group.</p> <p>Regular reviews of the impact the changes are having on those affected.</p> <p>A cost/benefit analysis of money advice SLA with the CAB and of the temporary Collections Support Officer to be undertaken to assist in 2015/16 Budget decision making.</p> <p>Work jointly with Job Centre Plus to agree a formal partnership agreement regarding Universal Credit.</p>	Corporate Director	<p>Services able to meet increased demand</p> <p>Funding sufficient to support those residents in extreme financial difficulties with council tax and/or rent.</p> <p>Increased number of residents in employment</p>	Quarterly		<p>Service Level Agreement with Citizens Advice Bureau to provide money advice service to residents, extended to 31st March 2016.</p> <p>Discretionary Housing Payments – allocation of £162,654 for 2015/16.</p> <p>Exceptional Hardship Fund of £15,240 for 2015/16. Short-term support available to council tax support claimants facing financial hardship.</p> <p>Health and Wellbeing Panel for the District established and working with a range of partners.</p> <p>Initial meeting with Job Centre plus arranged for March 2015 to commence work on the roll-out of Universal Credit in the Braintree District.</p>

Service Resilience and Workforce planning – 6

Risk Rating D2 (D2 July 14)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>Reduced resources impact on the Council's ability to deliver good quality services. Service delivery and resilience requires a well managed and motivated workforce. The Council has recognised the important challenges around workforce planning and talent management for the future.</p>	<p>Some key people leave.</p> <p>The organisation is stretched too far and resulting in service delivery failure</p>	<ul style="list-style-type: none"> • Service failure or performance declines • Mistakes made and corners cut • Customer satisfaction falls • Employees are demoralised. • Loss of good people. • Increased key person dependency • Loss of corporate memory • Failure to deliver Council's priorities and Annual Plan • Remaining staff fail to cope • Change programmes difficult to implement

Affordable Housing – 7

Risk rating C2 (C2 July 14)

Management Board Owner – Corporate Director (JH)

Vulnerability	Trigger	Consequence
The Council has challenging affordable housing needs. There are a declining number of sites for development in the district and the value of housing is intrinsically high. Increasing gap between the availability of affordable housing and those needing them.	Potential number of affordable houses not provided	<ul style="list-style-type: none"> Affordable housing need not met Homeless households remain longer in temporary accommodation as fewer rented homes become available for letting through 'Gateway to Homechoice' Cost to the Council of temporary accommodation increases Young people/key workers leave the district

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Affordable Housing Strategy 2009-14 adopted</p> <p>Affordable Housing Strategy Action Plan for 2011/12</p> <p>Reviewed planning policy to ensure opportunities are maximised</p> <p>The Community Housing Investment Partnership (CHIP) fund was established as part of the transfer agreement. Currently £7m of this fund is available to invest into the delivery of further affordable housing.</p> <p>Underwriting schemes and purchase of land for affordable housing developments as opportunity and finance allow.</p>	<p>Housing Research and Development Team continue to look for innovative ways of increasing affordable housing with developers and Registered Social Landlords.</p> <p>Use of Stat Nav toolkit to help identify need across the District.</p> <p>Build working relationships with developers to deliver Affordable housing through S.106 agreements.</p>	Corporate Director (JH)	Local target for an average 100 dwellings per annum	Quarterly		<p>Local Development Framework in progress.</p> <p>Investment of CHIP fund to deliver more than 50 homes in next financial year. StatNav toolkit now up and running on BDC web-site</p> <p>Over 200 new affordable homes started on site during 2013/14. In 2014/15, we expect 173 affordable homes to be completed. In 2015/16 we are expecting around 70 completions.</p> <p>Authority delegated to Cabinet Members for Planning and Property and Performance and Efficiency to agree acquisitions and funding commitments within the overall affordable housing budget in order to allow timely decisions to be taken and prevent opportunities being lost.</p>

Investment Strategy (formerly Investment of Surplus Monies) – 8

Risk Rating D2 (D2 July 14)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council has an Investment Strategy which seeks to optimise use of available resources by investing in property and other assets as well as investing surplus monies with financial institutions to achieve a reasonable rate of return.</p> <p>The security of the money invested is paramount but the Investment Strategy distinguishes between the investment of monies available only in the short-term due to cashflow requirements and monies (core funds) which are available for investment over the medium to long-term.</p> <p>£10million of the Council's core funds were invested in pooled funds (equities and property) in October/November 2014 with the aim of achieving higher rates of return and capital growth over the medium term (3 to 5 years).</p> <p>The impact of the current economic climate on financial institutions makes the selection of: a strong counterparty, with which to invest; the selection of an asset, to purchase, and the tenant, to occupy and rent property, crucial.</p> <p>Regular monitoring of investment counterparties is essential and this is currently undertaken by Arlingclose, our Treasury Advisors.</p>	<p>Failure of investment counterparty.</p> <p>Tenant ceases trading leading to void period and requirement to find a new tenant.</p> <p>Collapse in the equity market at a time when the Council needs to release money by selling the equity pooled funds.</p>	<ul style="list-style-type: none"> • Loss of the principal sum and / or interest due • Loss of rental income and increased costs (e.g. unoccupied business rates) • Unplanned service cuts and / or use of balances • Decline in Council reputation

Forward Look – Twelve months to June 2016		Agenda No: 15
Corporate Priority: An organisation that delivers value		
Report presented by: Trevor Wilson, Head of Finance		
Report prepared by: Trevor Wilson, Head of Finance		
Background Papers: None		Public Report
Options:		Key Decision: No
<p>Executive Summary:</p> <p>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.</p> <p>There may be ad-hoc reports added, either at the request of members, the external auditor or from officers, during the year.</p>		
<p>Decision:</p> <p>Members are asked to note the report schedule for the next twelve month period.</p>		
<p>Purpose of Decision:</p> <p>To agree the work and reports which will be undertaken and presented to the Governance Committee over the coming 12 months.</p>		

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

Financial:	None
Legal:	None
Safeguarding:	None
Equalities/Diversity	None
Customer Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
Officer Contact:	Trevor Wilson
Designation:	Head of Finance
Ext. No.	2801
E-mail:	trevor.wilson@braintree.gov.uk

Report Schedule

Date	Report	Summary
September 2015	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 th 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 end of July 2015.
January 2016	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	To present the draft Treasury

	Management Strategy 2016/17	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 end of 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	
March 2016	Strategic Audit Plan 2017/2020	To present the Strategic Internal Audit Plan for the four year period.
	External Audit Work Plan	To receive the audit work plan from Ernst & Young, the Council's new external auditor.
	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 end of January 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.
June/July	Annual Governance	To present for approval the Annual

2016	Statement 2015/16	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 2015/16
	Financial Indicators report	To present details of key financial indicators for the year to end of May 2016.
	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.