



**Riverside, 4 Canning Road, Lowestoft, Suffolk,  
NR33 0EQ**

# **Audit and Governance Committee**

## **Members:**

Councillor Geoff Lynch (Chairman)  
Councillor Edward Back  
Councillor Linda Coulam  
Councillor Tess Gandy  
Councillor Chris Mapey  
Councillor Rachel Smith-Lyte  
Councillor Ed Thompson

Members are invited to a **Meeting of the Audit and Governance Committee**  
to be held in the Conference Room, Riverside, Lowestoft,  
on **Monday, 29 July 2019 at 6:30pm**

An Agenda is set out below.

## **Part One – Open to the Public**

## **Pages**

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### **1 Apologies for Absence and Substitutions**

### **2 Declarations of Interest**

Members and Officers are invited to make any declarations of Disclosable Pecuniary or Local Non-Pecuniary Interests that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered.

*The Monitoring Officer has recommended that the Minutes of the past and Shadow Authorities be received as good governance and for the avoidance of Minutes remaining unconfirmed.*

<b>3a</b>	<b>Minutes of the Waveney District Council Audit and Governance Committee meeting held on 7 March 2019</b> To confirm as a correct record.	<b>1 - 9</b>
<b>3b</b>	<b>Minutes of the Suffolk Coastal District Council Audit and Governance Committee meeting held on 12 March 2019</b> To confirm as a correct record.	<b>10 - 18</b>
<b>4</b>	<b>Standards Matters, Declarations of Gifts/Hospitality Received by Members and Officers and Review of Complaints ES/0087</b> Report of the Leader of the Council and Cabinet Member with responsibility for Resources	<b>19 - 27</b>
<b>5</b>	<b>Indicative Annual Fee Letter 2019/20 ES/0088</b> Report of the Leader of the Council and Cabinet Member with responsibility for Resources	<b>28 - 34</b>
<b>6</b>	<b>Annual Internal Audit Report 2018/19 ES/0089</b> Report of the Leader of the Council and Cabinet Member with responsibility for Resources	<b>35 - 49</b>
<b>7</b>	<b>Corporate Fraud Annual Business Report 2018/19 ES/0090</b> Joint Report of the Leader of the Council and Cabinet Member with responsibility for Resources, and the Cabinet Member with responsibility for Housing	<b>50 - 60</b>
<b>8</b>	<b>Internal Audit Reports Recently Issued ES/0091</b> Report of the Leader of the Council and Cabinet Member with responsibility for Resources	<b>61 - 84</b>
<b>9</b>	<b>Audit and Governance Committee's Forward Work Programme</b> To consider the Committee's Forward Work Programme	
<b>10</b>	<b>Exempt/Confidential Items</b> It is recommended that under Section 100(a)(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.	

## Part Two – Exempt/Confidential

**11 Internal Audit Reports Recently Issued**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**12 Internal Audit: Status of Actions**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**13a Exempt Minutes of the Waveney District Council Audit and Governance Committee meeting held on 7 March 2019**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**13b Exempt Minutes of the Suffolk Coastal District Council Audit and Governance Committee meeting held on 12 March 2019**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**Close**

A handwritten signature in dark ink, appearing to read 'Stephen Baker', with a long horizontal flourish extending to the right.

Stephen Baker, Chief Executive

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Minutes of the Audit & Governance Committee  
held at Riverside, Lowestoft on **Thursday, 7 March 2019 at 6.00pm**

Audit and Governance Committee Members Present:

Councillors S Woods (Chairman), E Back, M Barnard, M Cherry, Y Cherry, L Coulam and A Green.

Cabinet Members Present:

Councillor B Provan - Cabinet Member for Resources

Officers Present:

K Blair (Head of Operations), M Clarke (Housing Projects lawyer), S Martin (Head of Internal Audit), S Taylor (Chief Finance Officer) and S Davis (Democratic Services Officer).

Others Present:

T Poynton (Ernst & Young)

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**1. APOLOGIES/SUBSTITUTES**

Apologies for absence were received from Councillors T Gandy, K Patience and L Smith.

Councillors M Cherry and Y Cherry attended the meeting as Substitutes for Councillors T Gandy and K Patience respectively.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest made on this occasion.

**3. MINUTES**

**RESOLVED**

That, subject to the addition of the words “and agreed” at the end of the resolution of item 5 – External Audit Plan for 2018/19, the Minutes of the Meeting held on 17 January 2019 be approved as a correct record and signed by the Chairman.

**4. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18**

The Cabinet Member introduced the report which summarised the results of Ernst and Young’s certification work on the Council’s claims and returns. It was noted that the audit fee was significantly higher than the indicative fee due to the five lots of additional 40+ testing carried out and the additional work required on the Pooling of Housing Capital Receipts Return.

NB Councillor E Back arrived at this point in the meeting.

Mr Poynton referred to the Housing Benefits Subsidy Claim of £31m and it was noted that an amendment had been agreed of £643 which was comparable to the previous year’s amendment of £402. Members were informed that the error rate (35) and resultant 40+ testing for both Waveney and Suffolk Coastal was similar to the previous year but was high

in comparison to other Authorities in the Anglia Revenues Partnership (ARP). He stated that some of the errors had led to overpayments being made and these had totalled £14k this year, whereas the previous year had been £7k. He suggested that this was something Members needed to be mindful of in terms of volume of errors rather than the amount. In relation to the Pooling of Housing Capital Receipts, Mr Poynton stated that there were no issues that needed to be reported, however, he clarified that the scope of work had been based on the previous scope but this had changed somewhat leading to the fee being higher.

Members expressed disappointment at the number of errors and it was suggested, therefore, that issue should be raised with the ARP. The Chief Finance Officer reported that, following feedback last year, ARP had agreed to put in place additional training for staff but it could be that it had not had any impact yet.

**RESOLVED**

That the findings from Ernst and Young LLP's work on certifying the Council's claims and returns be noted and that the Cabinet Member and Strategic Director be asked to raise the volume of errors issue with ARP.

**5. CORPORATE RISK MANAGEMENT UPDATE**

The Cabinet Member for Resources presented the report which provided an overview and update on how the Council's strategic and operational risks were managed. It was noted that there were 16 key risks, 10 were amber and 6 green. In addition, two new corporate risks had been identified in relation to the failure to implement East Suffolk Commercial Strategy and the failure to plan and prepare for the consequences of Brexit. He reported the following:

- The Medium Term Financial Strategy (MTFS) was reviewed continuously.
- The risk of failing to produce and deliver a sustainable MTFS now incorporated the delivery of a balanced annual budget and financial governance which had previously been identified as separate risks.
- The risk in relation to the failure of large/significant service delivery contracts/partnerships had been split into two separate risks to reflect "large" and "small" because they could vary significantly.
- The Asset Management Register should be completed by 31 March 2019 and, therefore, the risk had been reduced from "red" to "amber".
- The East Suffolk Business Plan, which had previously been "amber", was now "green".
- The creation of East Suffolk Council was now "green" reduced from "amber" due to the significant work undertaken to transfer on 1 April 2019.

The Chief Finance Officer reported that to date 491 Officers and Members had completed the Risk Management e-learning module and this would be updated in preparation for the implementation of East Suffolk Council. It was noted that the performance of key corporate projects that deliver against the Business Plan were reported within the quarterly East Suffolk Performance Report. The Corporate Project Register was constantly reviewed and developed which included the overall current risk level. Service Plans were available on FRED and fed into the Corporate Performance Report.

It was noted that, as part of the Risk Management Training Programme, the Council's insurance providers and advisers, Zurich Insurance Group, delivered training in November 2018 on the reasons why and how to manage events safely which was attended by 44 officers. In addition, 23 officers attended a session tailored to the Councils' risk management procedures and process.

The Committee was informed that, in December 2018, Zurich facilitated a "horizon scanning and corporate risk challenge" session that involved assessing existing corporate risks and identifying potential and future risks. As a result of this session, current risk scores were challenged, assessed and where relevant re-categorised.

The Chief Finance Officer referred to the Risk Management Toolkit and explained that following discussions with Zurich, the groups of "likelihood" percentages of risks were now more proportional. It was also reported that the existing Joint Strategy would be taken forward as the new East Suffolk Risk Management Strategy.

Reference was made to the last line of the table of risks on page 33 of the report relating to the Annual Budget and it was pointed out that the current rating was "amber" but it was coloured green. The Chief Finance Officer confirmed that it should be an amber colour not green. Clarification was also sought on why ICT's target colour was "amber" and the Chief Finance Officer reported that the Head of ICT had stated that it would never be "green" because there was always a risk of cyber attacks etc.

A query was raised as to the Welfare Reform risk and the Chief Finance Officer reported that Universal Credit had now been completely rolled out. He added that it increased housing rent arrears and the Council was working with the CAB to help people. He continued that the rent arrears were monitored on a monthly basis and a statement of accounts made at year end. Members noted that the Shadow Scrutiny Committee had made a recommendation to the East Suffolk Scrutiny Committee that they review Housing Rent Arrears.

Clarification was sought in relation to the Council Tax increase and the possible effects this would have on rent arrears and people's health. The Chief Finance Officer explained that a lot of people on benefits only paid 8½% so given the increase was £4.05 per year this would equate to 23p a year for someone on benefits in a Band A house. A query was raised in relation to how soon those in rent arrears were chased and the Chief Finance Officer stated that he did not know, however, Tenancy Services were buying a software system that would be able to establish how tenants paid to see when it was most appropriate to chase them. He added that if they did not pay then the tenancy could be removed but this usually ended up with them being homeless which meant they then had to go into B&B accommodation which was more expensive.

## **RESOLVED**

That the latest update report be noted.

**6. STANDARDS REVIEW, INCLUDING DECLARATIONS OF GIFTS/HOSPITALITY, COMPLAINTS RECEIVED AND OUTSTANDING REGISTER OF INTEREST FORMS**

The Committee received an update report on standards related matters including offers of gifts/hospitality received by Members and Officers, complaints received, together with outstanding Town and Parish Councillors Register of Interest Forms.

The Housing Projects Lawyer reported that, whilst there had been 17 formal complaints since the Suffolk Code of Conduct had been adopted in 2012, which included 3 potential breaches, no additional complaints had been received since the Committee's last update in July 2018. Reference was made to the annual report of the Committee on Standards in Public Life which included a set of recommendations in relation to ethical standards as a result of a review of Local Government standards during 2017-18. Members' attention was drawn in particular to recommendations 2, 3, 5, 7, 10, 16, 17 and 25.

In relation to gifts and hospitality, Members were reminded that they should record any received in their Register of Interest form. Reference was made to the gifts received by Officers over the last year and it was noted that the Monitoring Officer had no concerns.

With regard to Town and Parish Councillor Register of Interest forms, it was noted that 52 had not completed their forms which was 14%.

Clarification was sought on whether unpaid directorships should be declared on Register of Interest forms and the Housing Projects Lawyer stated that this did not appear on the list in the legislation but it could be that it was something Waveney decided to include and it was always better to declare something if unsure. to be on the safe side. He added that the Localism Act 2011 had watered down much of what Members had to declare, however, if Members chose to accept something then it was always best to declare it especially if it was pecuniary.

The point was made that, if the Government implemented the recommendations, this would put power back into the Standards regime, which was to be welcomed.

Reference was made to the requirement for Town and Parish Councillor's Register of Interests Forms to be displayed on their own Town or Parish Council's websites if they had them, and it was suggested that this should be publicised more widely as it was thought there were several websites that did not have any forms displayed on them.

In relation to the 52 outstanding Register of Interest Forms, clarification was sought on what had been done to remind Town and Parish Councillors that it was a legal requirement. The Housing Lawyer stated that other than the letter sent to them in August he was not sure but stated that he would convey the Committee's concerns to the Monitoring Officer.

**RESOLVED**

That the report on standards issues be noted and that it be publicised more widely that it was a legal requirement to complete Town and Parish Councillor Register of Interest Forms and to then display them on Town and Parish Council websites.

## 7. ANNUAL GOVERNANCE STATEMENT 2018/19

The Cabinet Member for Resources presented the report on the Annual Governance Statement (AGS) which was a key document that helped provide assurance to Members and other stakeholders as to how the governance of the Council was conducted, how effective it had been for the year, and identified any major issues of improvement raised by the Corporate Management Team, together with emerging issues upon which the Council would need to focus over the coming year.

Members were informed that the County and Audit Regulations 2015 required Councils to produce an Annual Governance Statement by 31 July each year, in line with the conclusion of the audit of the Statement of Accounts, however, with the move to East Suffolk Council from 1 April 2019, the Local Government (Boundary Changes) Regulations 2018 applied. These Regulations required each predecessor Council to prepare and approve an Annual Governance Statement no later than the date of reorganisation and, therefore, the 2018/19 Annual Governance Statement has been prepared providing assurance for the period 1 April 2018 to 31 January 2019. In the event of any material inaccuracy or omission from the approved AGS being identified during the period 1 February to 31 March 2019, or of any matter relevant to internal control arising on or after the reorganisation date, the Section 151 Officer would report these to East Suffolk Councillors and external audit.

The Head of Internal Audit reported that the areas to address in the interim AGS (1 April 2018 to 31 January 2019) within the Statement had been informed by:

- The outcomes of internal and external review bodies that report on the Council's effective governance performance during the year;
- Corporate management team review and assurance (Corporate Governance arrangements);
- The AGS Steering Group assessment and progress monitoring; and
- Changes in Government policy that impact across a wide range of the Council's activities.

The Committee noted that the Code of Corporate Governance approved by Council on 19 September 2018 was embedded within the AGS. Members' attention was also drawn to the seven core principles of the revised CIPFA/SOLACE framework "Delivering Good Governance in Local Government" and the Governance Assurance Framework that showed the span of interest these core principles had across the Council, together with a list of documents and processes supporting the Code of Corporate Governance.

The Head of Internal Audit referred to the list of Significant Governance Issues Identified and Improvement Plan appended to the AGS and it was noted that these had been carried over from 2017/18 and would roll forward to be included in the full year East Suffolk AGS that would be completed in May 2019.

**RESOLVED**

That the Annual Governance Statement for 2018/19 (1 April 2018 to 31 January 2019) be approved.

**8. INTERNAL AUDIT: ANNUAL INTERNAL AUDIT PLAN 2019-20**

The Cabinet Member for Resources presented the report enclosing the proposed combined Internal Audit Plan for Suffolk Coastal and Waveney District Council's (branded East Suffolk) 2019-20. It was noted that the construction of the Plan involved many factors and drivers and a diagram was incorporated within the Plan which illustrated the overall methodology. Members were reminded that, in accordance with their terms of reference, the Committee should approve, but not direct, Internal Audit's work plan as well as promoting the value of the audit process.

The Head of Internal Audit referred to the current structure of the Internal Audit Service as detailed in the report. It was noted that there were 5.7 FTEs across Waveney and Suffolk Coastal and it was anticipated that the resources available would provide 850 productive audit days for 2019-20. The Committee was reminded that the team must be compliant with Public Sector Internal Audit Standards (PSIAs) and the annual self-assessment completed during 2018-19 by the Head of Internal Audit had demonstrated continued compliance, highlighting only minor improvement points which had been reported to the Committee.

Reference was made to the main drivers involved in formulating the Audit Plan, together with all the high risk rated areas. In relation to the latter, the Head of Internal Audit reported that those key areas of risk that had not been covered off in the current year would be carried forward to East Suffolk's 2019/20 Plan. She also reminded Members that 15 days had been set aside to carry out any audits suggested by the Committee. The Head of Internal Audit stated that, in her opinion, this was a robust plan aligned to the Corporate Risk Register. She highlighted that the expectation of the PSIAs was that it would cover ethics and culture as well.

Clarification was sought on why some of the high rated risk areas had been identified as cross cutting and the Head of Internal Audit indicated that this was because several areas such as Procurement cut across all Service areas.

Mr Poynton was asked if there were any areas not covered in the Plan and he responded that he did not think so as it was a very comprehensive Plan and there was nothing he was worried about.

Reference was made to the Housing Benefit Subsidy Claim and the Head of Internal Audit indicated that her team was not involved in that because otherwise that would duplicate External Audit's work.

The Chairman queried if team resources were at the right level to carry out the necessary workload and the Head of Internal Audit responded that the team was currently carrying a full time vacancy which had impacted on service delivery but once fully staffed again this would give a minimum level to provide the Service.

**RESOLVED**

That the Annual Internal Audit Plan 2019/20 be approved.

**9. CORPORATE FRAUD BUSINESS PLAN 2019-20**

The Cabinet Member for Resources introduced the report which set out the Council's proposed approach to the prevention, detection and prosecution of fraud and corruption. It was noted that the Plan set out the desired outcomes and management processes aligned to the Council's strategic objectives to provide value for money by identifying any fraud and error across all the Council's activities.

The Head of Internal Audit reported that this was a high level document setting out the Council's zero tolerance approach to fraud and the fact that there were 3.3 FTE in the Corporate Fraud Team who covered work across Waveney and Suffolk Coastal. Their work included financial investigations and worked closely with external agencies to prevent fraud. In addition, there was a confidential telephone fraud "hotline".

The Committee's attention was drawn to the following five Fraud and Corruption Principles:

- There is always going to be fraud
- Finding fraud is a good outcome
- There is no one solution
- Fraud and corruption are ever changing
- Prevention is the most effective way to address fraud and corruption

The Head of Internal Audit reported that the Strategy followed national best practice and the workstreams for 2019-20 demonstrated how the Council planned to acknowledge, prevent and pursue fraud and corruption. She also referred to the type of corporate fraud investigations undertaken, pointing out that a lot of work took place behind the scenes. She added that she would submit a report to the Committee in the summer about the work being undertaken.

**RESOLVED**

That the Corporate Fraud Business Plan 2019-20 be endorsed.

**10. INTERNAL AUDIT REPORTS RECENTLY ISSUED (OPEN)**

The Cabinet Member for Resources introduced the report which gave details of recently issued reports in relation to the following:

**Payroll 2018/19**

The Committee was reminded that Payroll was the greatest expenditure for the Authority, amounting to £9.9m per year. The contract to run the Payroll Service had been outsourced to Suffolk County Council since 1 December 2017 but had been extended to 30 November 2019.

The Head of Internal Audit reported that the overall assurance level of Effective had been given for the 2018/19 Payroll audit on the basis of the control framework in place and supporting risk management. It was noted that testing had identified that all previous audit actions had been completed.

### **Homelessness Prevention Grants 2018/19**

The Committee was reminded that the Homelessness Reduction Act 2017 came into effect from April 2018 and placed increased responsibilities on Local Authorities to intervene to prevent homelessness and was intended to refocus activity on prevention. The Government had provided funding of £61m over two years to cover the increased costs of meeting the new duties and Waveney had received approximately £97,000 Homelessness Prevention grant funding from DCLG in 2018/19.

The Head of Internal Audit reported that the overall assurance of Effective had been made on the basis of the control framework in place and supporting risk management. The audit did not identify any significant control weaknesses.

The point was made that it was clear to see that the number of homeless was increasing and clarification was sought on how this was being tackled and if people were aware that they could apply for a grant. The Head of Internal Audit indicated that she would ask Officers to respond to the Member direct in relation to this query. The Member acknowledged that not all homeless people wanted to get off the streets so it was unlikely that there would ever be a point that there was zero homelessness.

The Chairman thanked the Officers and stated that these were good audit results. He added that the new report format was much more readable and understandable.

### **RESOLVED**

1. That the Head of Internal Audit's report containing the two (open) recently issued reports be noted.
2. That the Head of Internal Audit ask the Strategic Director and Head of Housing to contact the relevant Member direct on what communication was in place to inform homeless people on how they could apply for grants.

## **11. EXEMPT/CONFIDENTIAL ITEMS**

### **RESOLVED**

That under Section 100(A)(4) of the Local Government Act 1972 (as amended), the public were excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

**12. INTERNAL CONTROLS – STATUS UPDATE – CONTRACTS, ASSET MANAGEMENT AND HEALTH & SAFETY RECORDS WITH PARTNERS – FINAL UPDATE**

The Committee was reminded that they had received an update at their last two meetings in relation to progress against the above overdue audit recommendations and they noted the Head of Operations' report giving a final update.

**RESOLVED**

That the Head of Operations' report and action plans be noted.

**13. INTERNAL AUDIT: STATUS OF RECOMMENDATIONS**

The Cabinet Member for Resources introduced the report which listed the status of all recommendations that had been made as a result of Internal Audit reviews over the past three years, providing an overview of the number of recommendations that had been completed, those that were pending.

**RESOLVED**

That the report be noted.

**14. INTERNAL AUDIT REPORTS RECENTLY ISSUED (CONFIDENTIAL)**

The Cabinet Member for Resources introduced the report which gave details of a recently issued Internal Audit Report in relation to IDOX/Uniform (Planning and Development Control) 2018/19.

**RESOLVED**

That the Head of Internal Audit's report containing the recently issued report be noted.

**15. MINUTES**

**RESOLVED**

That the Exempt Minutes of the last meeting (Part Two) held on 17 January 2019 be confirmed as a correct record and signed by the Chairman.

On behalf of the Committee, the Chairman thanked Officers, particularly the Head of Internal Audit, for all the support provided to Committee Members past and present.

The meeting was concluded at 7.35pm.

Chairman

Minutes of a Meeting of the **Audit and Governance Committee** held in the **Deben Conference Room** at **East Suffolk House, Riduna Park, Melton** on **Tuesday 12 March 2019** at **6.30pm**

**Members of the Committee present:**

G Lynch (Chairman), A Cooper (Vice-Chairman), J Bidwell, C Block, P Coleman, P Dunnett, C Hedgley, M Jones, P Mulcahy.

**Other Members present:**

S Lawson.

**Officers present:**

K Blair (Head of Operations), M Makin (Democratic Services Business Manager), S Martin (Head of Internal Audit), H Slater (Head of Legal & Democratic Services and Monitoring Officer), S Taylor (Chief Finance Officer and Section 151 Officer).

**Others present:**

T Poynton (Audit Manager, Ernst & Young LLP)

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**1. Apologies for Absence and Substitutions**

Apologies for absence were received from Councillors Kelso and Mower. Councillor Block acted as Substitute for Councillor Kelso, and Councillor Jones acted as Substitute for Councillor Mower.

**2. Declarations of Interest**

There were no declarations of interest.

**3. Minutes**

**RESOLVED**

- a) That the Minutes of the Meeting held on 11 December 2018 be confirmed as a correct record and signed by the Chairman.
- b) That the Minutes of the Special Meeting held on 7 March 2019 be confirmed as a correct record and signed by the Chairman.

*The Head of Legal and Democratic Services left the meeting following the conclusion of this item.*

**4. Corporate Risk Management Update**

The Audit and Governance Committee received report **AG 03/19** of the Cabinet Member with responsibility for Resources. The report provided an overview and update on how the Council's

strategic and operational risks were managed. Members were asked to make comment on the corporate strategic risks from the Council's current Corporate Risk Register which was maintained by the Corporate Risk Management Group (CRMG).

Following review by Zurich Municipal and discussions at Audit and Governance Committee in May 2018, the likelihood percentages within the Corporate Risk Management Process and Toolkit had been updated creating a greater variance. Members were asked to note these relevant updates, and to review the key risks on the register at regular intervals, considering corporate risk management when they are planning any future work programmes.

The Committee's attention was drawn to the development and progress in managing risk. A Risk Management e-learning module formed part of the induction process and was mandatory for all new staff to complete within one month of employment. To date 491 Officers and Members had completed the training. Work was underway to review the module to update details in preparation for the implementation of East Suffolk Council.

The Council's insurance providers and advisors, Zurich Insurance Group, delivered Event Management Training in November 2018 which was attended by 44 Officers. 23 Officers also received Risk Management training in January 2019, which had been tailored on the Council's risk management procedures and process.

The Corporate Risks and their risk ratings were outlined to the Committee, as detailed in section six of the report. The main challenges were described as the Medium Term Financial Strategy (MTFS) which had incorporated the delivery of a balanced annual budget and financial governance, partnerships, asset management strategy, the East Suffolk Business Plan, and the creation of East Suffolk Council.

The Chairman invited questions.

A member of the Committee queried how the Corporate Risks were named. The Chief Finance Officer, supporting the Cabinet Member, advised that the CRMG regularly reviewed the register and identified Corporate Risks through that process; the title of the identified risk was formulated at that point to provide a description of the risk.

In response to a question regarding achieving risk rating objectives, the Chief Finance Officer explained that timescales were incorporated into the Corporate Risk Register. He explained that each risk would have its own timescale to achieve 'green' and noted that the risk rating target related to ICT business continuity had been identified as 'amber' by the Head of ICT due to the level of risk, and so was on target.

The Committee was directed to the matrix on page 18 of the report, which demonstrated the likelihood percentage ascribed to each Corporate Risk.

A member of the Committee asked if the risk levels in the report aligned with those of Waveney District Council and would therefore transfer to East Suffolk Council. The Chief Finance Officer advised that the Corporate Risk Register was a joint register across the two councils and reflected joint risks across both authorities.

The Vice-Chairman highlighted the risk related to welfare reform and asked what assistance was available to help those in rural areas affected by the rollout of Universal Credit. The Committee was

informed that a hardship fund had been in place at Waveney District Council since 2012, to provide support for those adversely affected. Both the Customer Services and Housing Tenancy teams were aware of the existence of the fund. To date, it had not been accessed.

The Chief Finance Officer outlined the impact of Universal Credit rollout on rent arrears; in the Waveney area, a trend of arrears spiking and recovering had been identified where Universal Credit had been rolled out. This had not impacted on the District, but would have an impact on East Suffolk Council. He also spoke on the funding provided to Citizens' Advice Bureau (CAB) for terminals and that CAB was now receiving funding from central government to support clients, that had previously been provided to councils.

During discussion on how CAB could support clients, it was suggested that CAB could provide assistance to those wishing to make an application to the hardship fund. In response to a question from a member of the Committee, the Chief Finance Officer said that it was his understanding that the hardship fund was a grant rather than a loan to be repaid.

The Chairman expressed that he was pleased with the improved range in the toolkit at Appendix A of the report. He referred to the table at paragraph 6.33 of the report, and asked what the arrows in the rightmost column denoted. The Chief Finance Officer advised that the arrows represented the direction of travel of the risk rating.

There being no further questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

#### **RESOLVED**

That the current key risks and corporate risk appetite be commented upon and the latest update be noted.

### **5. Certification of Claims and Returns Annual Report 2017/18**

The Audit and Governance Committee received report **AG 04/19** of the Cabinet Member with responsibility for Resources. Ernst and Young LLP's (EY) report summarised the results of their certification work on the Council's claims and returns. The report showed that the Council's housing benefit subsidy claim totalled £24,661,039. An indicative audit fee of £15,540 was set for this work, but the actual fee was £3,981 higher at £19,521 due to additional 40+ testing having to be completed. The audit fee for 2016/17 was £24,408.

The Cabinet Member invited Mr Tony Poynton, Audit Manager for EY, to address the Committee. He noted that that extended testing had been undertaken as the Department of Work and Pensions (DWP) methodology required EY to look at extrapolated data samples when errors were found.

Mr Poynton detailed the seven sets of testing that had taken place, advising that the majority of testing (six) had been driven by errors found in the previous financial year. He said that there had been improvement in the volume of errors identified – 18 in 2017/18 compared to 39 in 2016/17. There had only been a need to extrapolate data across two sets of testing as the others had not contained any errors.

The Committee was advised that the volume of error, compared to similar councils, was below average. He stated that £12,000 of errors had been identified in 2017/18, compared with £45,000 of errors in 2016/17.

The Chairman invited questions. The Committee did not have any questions for Mr Poynton.

The Chairman considered that EY's report was thorough, and acknowledged the reasons for the increased fees. He noted that overall, the fees had reduced substantially over the last four years.

There being no further questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

#### **RESOLVED**

That the findings from Ernst and Young LLP's work on certifying the Council's claims and returns be noted.

*Mr Poynton left the meeting following the conclusion of this item.*

### **6. Annual Governance Statement 2018/19**

The Audit and Governance Committee received report **AG 05/19** of the Cabinet Member with responsibility for Resources. The Annual Governance Statement was a key document which helped provide assurance to Members and other stakeholders as to how the governance of the Council was conducted, how effective it had been for the year, and identified any major issues of improvement raised by the Corporate Management Team, together with emerging issues upon which the Council would need to focus over the coming year.

The Accounts and Audit Regulations 2015 required councils to produce an Annual Governance Statement by 31st July each year, in line with the conclusion of the audit of the Statement of Accounts. However, with the move to East Suffolk Council from 1 April 2019, the Local Government (Boundary Changes) Regulations 2018 applied. These Regulations required each predecessor council to prepare and approve an Annual Governance Statement no later than the date of reorganisation.

In order to comply with the Boundary Changes Regulations, the 2018/19 Annual Governance Statement had been prepared providing assurance for the period 1 April 2018 to 31 January 2019.

In the event of any material inaccuracy or omission from the approved AGS being identified during the period 1 February to 31 March 2019, or of any matter relevant to internal control arising on or after the reorganisation date, the Section 151 Officer would report these to the Members of East Suffolk Council and external audit.

The Cabinet Member invited the Head of Internal Audit to address the Committee. She advised that the Annual Governance Statement summarised the good governance across the Council, in line with the CIPFA toolkit. The Committee's attention was drawn to the diagram on page 40 of the report, which explained the seven principles of good governance.

Also of note was the Governance Assurance Framework on page 46, the list of documents supporting the Code of Corporate Governance on page 47, and the Significant Governance Issues

Identified and Improvement Plan on page 48. With regard to the Improvement Plan, issues from previous years had been carried over as appropriate.

The Head of Internal Audit confirmed that, once endorsed by the Committee, the Annual Governance Statement would be signed by the Leader of the Council and the Chief Executive.

The Chairman invited questions.

It was confirmed that prior to signing, the Statement would be updated to reflect that the Chief Executive was signing the document as Chief Executive of Suffolk Coastal District Council.

A member of the Committee referred to the work related to asset management, due to be completed in March 2019, and asked who the outcome would be reported to. It was confirmed that this would be reported to East Suffolk Council's Audit and Governance Committee. The Head of Internal Audit advised that a separate report on the agenda outlined this work in more detail.

The Chairman asked if a contractor register would be created as part of the work around contract management. The Head of Internal Audit invited the Head of Operations to address the question; he advised that a dynamic purchasing system had been created in the last six months for specialist contractors undertaking work for Coastal Partnership East, so that there was a pre-selected range of organisations available, where the Council had completed due diligence checks, for specific one-off pieces of work. His team were now looking to extend this system to include housing maintenance contracts.

A member of the Committee asked if this system was available to other organisations, such as the Estuary Partnership. The Head of Operations confirmed that it was.

There being no further questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

#### **RESOLVED**

That the Annual Governance Statement for 2018/19 (01 April 2018 – 31 January 2019) be approved.

*The Chief Finance Officer left the meeting following the conclusion of this item.*

### **7. Internal Audit: Annual Internal Audit Plan 2019/20**

The Audit and Governance Committee received report **AG 06/19** of the Cabinet Member with responsibility for Resources. The report presented the proposed combined Internal Audit Plan for Suffolk Coastal and Waveney District Councils (branded East Suffolk) 2019-20 as agreed with the Corporate Management Team. The construction of the Plan involved many factors and drivers and a diagram was incorporated within the Plan, which illustrated the overall methodology.

The report was being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference which stipulated that the Committee was to 'approve, (but not direct) Internal Audit's work plan.' Also 'to promote the value of the audit process.'

The Cabinet Member invited the Head of Internal Audit to address the Committee. She advised that the Internal Audit Plan was directly linked to the resources available, i.e. 5.7 FTE staff. The Plan aligned with the Corporate Risk Register and was also compliant with the Public Sector Internal Audit Standards (PSIAS).

The Committee was advised of the work days it could request from Internal Audit, detailed on page 56 of the report.

The Chairman invited questions.

The Vice-Chairman asked if sufficient resources were in place for Internal Audit. The Head of Internal Audit said her team was a lean one, and any emerging risks would necessitate a need to defer or reassess workloads. She said the resource level was sufficient at present; there was one vacancy for a Principal Auditor role but this was being advertised. She advised the Committee that any unforeseen impact on the resource level would be reported to the Committee as she was required to do so.

In response to a question from a member of the Committee regarding any procedures for such a situation, the Head of Internal Audit advised that she was able to recruit consultants for short periods of time to deal with specific pieces of work. She reminded the Committee of the Section 151 Officer's duty to support the Internal Audit role if additional resources are requested, with support from the Audit and Governance Committee, to deliver the function.

The Chairman moved to the recommendation. He suggested adding a request that the Audit and Governance Committee of the new East Suffolk Council have similar access to work days, in line with the arrangements enjoyed by the Suffolk Coastal District Council committee. This was supported by members of the Committee. It was proposed, seconded and unanimously

#### **RESOLVED**

1. That the Annual Internal Audit Plan 2019-20 be approved.
2. That it be recommended that East Suffolk Council's Audit and Governance Committee is able to request up to fifteen work days, in line with similar existing arrangements for Suffolk Coastal District Council.

#### **8. Corporate Fraud Business Plan 2019/20**

The Audit and Governance Committee received report **AG 07/19** of the Cabinet Members with responsibility for Housing and Resources. The Corporate Fraud Business Plan 2019-20 detailed the Council's proposed approach to the prevention, detection and prosecution of fraud and corruption. The plan set out the desired outcomes and management processes aligned to the Council's strategic objectives to provide value for money by identifying any fraud and error across all the Council's activities.

The report was presented to the Audit and Governance Committee in compliance with its terms of reference to '...Monitor Council policies on...Anti-Fraud and Corruption'.

The Cabinet Member invited the Head of Internal Audit to address the Committee. She stated that the Council followed international and national best practice in relation to counter fraud activities.

It also liaised with a number of partner agencies to collect important intelligence. The Corporate Fraud service across both councils consisted of 3.3 FTE staff, including investigators which gave the Council powers linked to the National Crime Agency.

It was highlighted to the Committee that page 71 of the report contained the five fraud and corruption principles. Pages 73 and 74 of the report detailed the key areas of the team's work and what it delivered. The Head of Internal Audit noted that the focus of the team's work largely related to housing and tenancy fraud, but also included fraud associated with Council Tax reduction, Business Rates relief, blue badges, and the Council's resilience to cybercrime.

The Chairman invited questions.

The Vice-Chairman noted an increase of blue badge users in the District and asked what checks were being undertaken in respect of blue badges. The Head of Internal Audit said that spot checks were undertaken in line with Suffolk County Council, as it was this Council's responsibility to enforce abuses of the system. She said that when exercises had been undertaken, there had been positive feedback from the public for addressing the issue. She noted that the District had an ageing population which accounted for an increase in the number of blue badges issued.

Another member of the Committee asked if there was a figure on the number of younger people issued blue badges. The Head of Internal Audit advised that she would seek out this information and report it to the Member outside of the meeting.

In response to a question on the impact of Universal Credit on housing and tenancy fraud, the Head of Internal Audit said that the Council worked with CAB around this issue but noted that housing and tenancy fraud tended to relate more to those illegally subletting, particularly to those in need, and profiting as a result. She considered that it was rare for those in hardship to perpetrate housing or tenancy fraud.

A member of the Committee asked if the Corporate Fraud Service had sufficient resources. The Head of Internal Audit stated that there was the minimum level to meet the Council's needs, reiterating the importance of working with partner agencies. She highlighted that right to buy fraud had reduced and suggested this was due to changes in the way that checks were undertaken at the beginning of the application process.

The Committee, through the Chairman, asked for it to be noted that it fully endorsed the fraud and corruption principles outlined in the report.

There being no further questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

### **RESOLVED**

That the Corporate Fraud Business Plan 2019-20 be endorsed.

## **9. Internal Audit Reports Recently Issued**

The Audit and Governance Committee received report **AG 08/19** of the Cabinet Member with responsibility for Resources. The report stated that Internal Audit reports were issued to the Audit and Governance Committee to enable the Committee to fulfil its Terms of Reference, 'To consider

reports from the Head of Internal Audit...'. The Committee was invited to comment upon the contents of the Audit Reports regarding Payroll 2018/19 and Homelessness Prevention Grants 2018/19.

The Cabinet Member invited the Head of Internal Audit to address the Committee. She explained that the Internal Audit Reports before the Committee were in a new style and used an updated terminology. She noted that in both reports, services had been graded as effective.

The Chairman invited questions.

The Vice-Chairman referred to page 85 of the report, which referred to the £70,000 Homelessness Prevention grant funding received by the Council, asking if this related to the number of homeless people in the District. The Head of Internal Audit said she would investigate further and report back to the Member outside of the meeting. The Chairman asked if she would also ascertain how much of the grant had been spent.

The Chairman noted the outcome of both reports as positive.

There being no questions, the Chairman moved to the recommendation and it was proposed, seconded and unanimously

#### **RESOLVED**

1. That the contents of the Payroll 2018/19 Internal Audit Report be received and noted.
2. That the contents of the Homelessness Prevention Grants 2018/19 Internal Audit Report be received and noted

#### **10. Exempt/Confidential Items**

##### **RESOLVED**

That under Section 100(1)(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

#### **11. Internal Audit Reports Recently Issued**

The Audit and Governance Committee received report **AG 09/19** of the Cabinet Member with responsibility for Resources. This item is recorded as a separate and confidential minute.

#### **12. Internal Controls – Status Update – Contracts, Asset Management and Health & Safety Records with Partners**

The Audit and Governance Committee received report **AG 10/19** of the Cabinet Members with responsibility for Resources and The Green Environment. This item is recorded as a separate and confidential minute.

### **13. Internal Audit – Status of Recommendations**

The Audit and Governance Committee received report **AG 11/19** of the Cabinet Member with responsibility for Resources. This item is recorded as a separate and confidential minute.

### **14. Minutes**

#### **RESOLVED**

That the Exempt Minutes of the Meeting held on 11 December 2018 be confirmed as a correct record and signed by the Chairman.

The meeting concluded at 8.27pm.

.....  
Chairman



## AUDIT AND GOVERNANCE COMMITTEE

Monday 29 July 2019

### STANDARDS MATTERS, DECLARATIONS OF GIFTS/HOSPITALITY RECEIVED BY MEMBERS AND OFFICERS AND REVIEW OF COMPLAINTS

#### EXECUTIVE SUMMARY

To consider an update report on standards related matters and offers of gifts/hospitality received by Members and officers.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All
<b>Cabinet Member:</b>	Councillor Steve Gallant Leader of the Council and Cabinet Member with responsibility for Resources
<b>Supporting Officer:</b>	Hilary Slater Head of Legal & Democratic Services 01394 444336 Hilary.slater@eastsuffolk.gov.uk

## **1. BACKGROUND**

- 1.1 This report updates the Committee on declarations of gifts/hospitality received by Members and Officers, and includes a review and update on Register of Interests for Town and Parish Councillors.

## **2. HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?**

- 2.1 The Council has a Vision set out in its East Suffolk Business Plan to maintain and sustainably improve the quality of life for everyone growing up in, living in, working in and visiting East Suffolk. Enabling Communities, Economic Growth and Financial Self-Sufficiency are the three prongs of the strategy used to achieve this Vision. The Council has a duty to promote and maintain high standards of behaviour, under the Localism Act 2011. The declaration of interests is an element of this duty. It is key to effective governance and compliance. Therefore, the declaration of these interests, and the openness, transparency associated with this, helps to achieve all of the three prongs of the Council's strategy and business planning.

## **3. COMPLAINTS MADE UNDER THE SUFFOLK CODE**

- 3.1 The former Councils of Suffolk Coastal and Waveney adopted the Suffolk Code of Conduct in July 2012. The Suffolk Code was adopted district and county wide. Written complaints may be made to the Monitoring Officer (MO) of this Council that a Parish, Town or District Councillor has breached the Suffolk Code.
- 3.2 Since the East Suffolk Council (ESC) came into being, on 1 April 2019, one complaint has been received, but this related not to the behaviour of individual parish councillors, but to acts of the council, as a whole. Therefore, it fell outside the scope of the Suffolk Code of Conduct and no action was taken in respect of it, save to contact the person who complained, and explain this.
- 3.3 Complaints to do with the declaration of Disclosable Pecuniary Interests (DPIs), or taking part in a meeting when one has a DPI, without first having obtained a dispensation, are potentially criminal offences under s34 of the Act. If I receive complaints of this nature, I have to refer them to the police, under a protocol which the MOs have with Suffolk Police. I have dealt with one matter where I have had to make such a referral and the police are considering their response to the file which I have sent them, now. The matter relates to parish council business.
- 3.4 If the report makes findings that the Code of Conduct has been breached, the MO will need to discuss the report/breaches with the Independent Person. The MO will then need to refer the report/breaches to this Committee, for its consideration. The other recent complaint has been made against a town or parish councillor. It has been considered, and discussed with the Independent Person. No further action is being taken in respect of it.

## **4. REGISTER OF GIFTS AND HOSPITALITY AND DECLARATIONS OF INTEREST**

- 4.1 The Suffolk Code requires that Councillors declare gifts and hospitality which they have received that are worth at least £25. Under the previous regime, such declarations formed part of the Members' Register of Interests forms and were, therefore, available for public inspection. In order to make such receipts of gifts and hospitality transparent, the Suffolk Code also requires that the person from whom the Councillor receives the gift or hospitality worth at least £25 be declared as a Local Non-Pecuniary Interest (LNPI).

- 4.2 The declarations of gifts and hospitality received are set out in each Councillor's online Register of Interest. In addition, officers are required by the Joint Officer Code of Conduct to declare all gifts and hospitality that they have been offered, declined or accepted which are worth £10 or more. Those relevant to the East Suffolk Council which have been declared since the last report on this subject, to the Audit and Governance Committee at the former Suffolk Coastal District Council on 11 December 2018 (Paper AG23/18 refers) and Waveney District Council on 7 March 2019 (Paper REP1900 refers), are set out in the table contained within Appendix A of this report. They do not cause any concern to the MO.
- 4.3 Please note that on the advice of the Council's internal Audit team, we have removed any personal or sensitive data from the information contained in Appendix A to this report.

## **5. REGISTER OF INTERESTS**

- 5.1 Under s29 of the Localism Act 2011 (the Act), the MO of a relevant authority must establish and maintain a register of interests of members and co-opted members of the authority. It is for a relevant authority to determine what is to be entered in the authority's register. The Register of Interests for Members across Suffolk requires them to declare, in Part 1 of the form, certain DPs. DPs are prescribed in the Local Authorities (Disclosable Pecuniary Interests) (England) Regulations which were made in 2012. Also, in Part 2 of the form, to declare LNPIs which are required by the Suffolk Code of Conduct. These are such things as membership of outside bodies, charities and groups established to influence policy etc.
- 5.2 In the case of a parish council, references to the MO are to the MO of the district council for the authority's area.
- 5.3 The MO must ensure that a copy of the district council's register is available for inspection at a place in the authority's area at all reasonable hours, and that the register is published on the authority's website.
- 5.4 The MO must also ensure that a copy of the parish council's register is available for inspection at a place in the district council's area at all reasonable hours, and secure that the register is published on the district council's website. A parish council must, if it has a website, secure that its register is published on its website.
- 5.5 Under s30(1) of the Act, Members of the ESC, and newly elected Members of town and parish councils, have 28 days from the day of taking office in which to notify the MO of any DPs and to complete a register of interests form.
- 5.6 Members were elected on 2 May 2019 and took up office on the fourth day after that, which, because of the Bank Holiday, was on Tuesday 7 May 2019. Therefore, they had until midnight on 3 June in which to complete their register form. As part of the new CMIS system introduced by the East Suffolk Council, the software provider developed an online, electronic form, similar to the one which the Council previously had developed, in 2012. The previous form and the electronic system used by each of the East Suffolk Council's predecessors was no longer available. Therefore, we were very pleased to have had this electronic system developed by CMIS, as it is more modern, efficient and saves on storage, to have an electronic, rather than paper, system.
- 5.7 Under s34 of the Act, it is a criminal offence if a member, without reasonable excuse, fails to comply with the requirement in s30(1) to notify the MO of their DPs.
- 5.8 All Members of the district council have completed their register of interests form.

- 5.9 There are 1209 seats on town and parish councils in the district. Of these, 157 are unfilled. Therefore, we have 1052 (1209-157) elected town and parish councillors in the East Suffolk district area. Out of the 1052, 928 have returned their register of interest forms. 124 have not. This represents a return rate of 88% and a non-return rate of 12%.
- 5.10 In order to assist town and parish councillors to fill out their forms, the Clerks to the various town and parish councils were all contacted initially by email on 30th April 2019 to advise them that a new online ROI system was going to be available, following the elections. We then emailed them again on 1st May 2019 with more detailed information about the system and sent them a PDF User Guide.
- 5.11 The Clerks were asked to set up their new councillors on the system, from the 7th May onwards. We chased the Clerks for several weeks until all of them had set up their councillors (the last one being done around the middle of June).
- 5.12 As soon as the Clerks set up their councillors' records, each councillor was sent a registration email from the ROI system. Many of the councillors responded to this straight away, but we had to chase the outstanding ones from the beginning of June through to the 2nd July. All councillors who have forms outstanding have now had at least 2 emails from us, chasing them to complete their form. The emails were sent by a named officer, and were personalised, rather than automated, standard emails.
- 5.13 In terms of feedback on the implementation of the system, we did have an issue with some parish/town councillors not receiving their registration email. Fortunately, this did not affect too many people and will not be an issue shortly, because we are implementing a software fix whereby the email notification will come from an @eastsoffolk email address, which will stop the emails being treated as junk mail.
- 5.14 It is fair to say that some parish/town councillors have found it difficult to use the system, but from our assessment and interactions with members, in assisting them, the issues have arisen mainly because of a lack of confidence in using electronic forms, and in some cases, a lack of computer literacy, because some have not found it easy to understand how to set their password/access the site etc.
- 5.15 The Elections Team are now helping the remaining parish/town councillors to complete their forms, and are available to provide assistance by email/phone, in order to ensure completion. As MO, I am pleased with the initial return rate of 88%, and I will be chasing the Clerks who have councillors who have not returned their forms, and asking them to remind their councillors of the obligations upon them to fill out the forms.

#### **RECOMMENDATION**

That the contents of the report be noted.

#### **APPENDICES**

Appendix A – List of gifts and hospitality declared by officers since 02.10.18 report to Suffolk Coastal's Audit and Governance Committee and 20.12.18 to Waveney's and a list of declarations of interest

**BACKGROUND PAPERS:** None

**Appendix A**  
**DECLARATIONS OF GIFTS & HOSPITALITY**

<b>Date</b>	<b>Job Title</b>	<b>Hospitality/Gift Declared</b>	<b>Interested Parties</b>	<b>Value</b>	<b>Additional Information</b>	<b>Declined/ Accepted</b>
03/12/18	Principal Planner (Policy & Delivery)	Evening meal at the Kings Head pub, Woodbridge	Local 41 Club (ex-Round Tablers)	£15	Presentation given at the request of a Councillor	Accepted
24/12/18	Port Health Technical Manager	Christmas lunch at the Orwell Hotel, Felixstowe	Freight company	£50	Employee took a days holiday to attend	Accepted
23/04/19	Head of Coastal Partnership East	Representing the client at the New Civil Engineer Annual Dinner	Engineering, Design & Project Management Company	£450	Representing client for a project which had been shortlisted for an award	Accepted
13/05/19	Active Communities Officer – Leisure	Invitation to a boxing tournament	Local Rotary Club	£50	Networking opportunity	Accepted
20/05/19	Housing Needs Officer	Chocolates & orchid plant	Housing Needs Client	£10		Accepted
06/06/19	Environmental Health Technical Officer	Card & bunch of flowers	Grant Applicant	£10		Accepted

## DECLARATIONS OF INTEREST

Date	Job Title	Declared	Interest to Declare	Interested Parties	Additional Info/Action taken
03/07/19	Principal Environmental Health Officer	Interest	Director of husband's consulting company	Address in Bramfield	In the past the company has been appointed to deliver projects for SCC, but is not currently contracted in any Council related work for the foreseeable future.
03/08/19	HAZ Project Support Officer	Interest	Principal Environmental Health Officer is this officer's mother		
03/06/19	Port Health Officer	Interest	Owner/Director of Cambridge Commodities	Address in Ely	Imports large amounts of vitamins etc through the Port. Officer does not process paper-work from this company.
03/06/19	Junior Surveyor	Interest	Riduna Park holdings Is owned by a long standing family friend	Riduna Park Holdings, Riduna Park, Station Road, Melton	Officer will not undertake any asset management tasks in relation to East Suffolk House or any other Emmerson owned company.
31/05/19	Port Health Officer	Interest	Personal friend works at Import Operations at Felixstowe Port	Import Operations - Ocean Freight Services, GAC Services (UK) Ltd, Unit 4, Summit Business Park, Langer Road, Felixstowe, IP11 2JB	
28/05/19	Port Health Officer	Interest	<ol style="list-style-type: none"> <li>1. Sitting Magistrate attached to the Suffolk Bench sitting in Criminal &amp; Family Courts in Ipswich &amp; Bury St Edmunds</li> <li>2. NSPCC volunteer for the Schools Service delivering the speak out stay safe campaign in Primary Schools</li> </ol>		As a magistrate, the officer will not sit on any case brought by East Suffolk Council and by the Environmental Health Dept of Ipswich BC and the Trading Standards Dept of Suffolk County Council. Currently "on hold" in volunteer role, as resignation has not been accepted so still listed as a volunteer.

28/05/19	Port Health Officer	Interest	Occasional point of entry consultant/trainer in various aspects of Port Health work for the companies listed	<ul style="list-style-type: none"> <li>-World Health Organization</li> <li>- WHO Eastern Mediterranean Region (EMRO)</li> <li>- Association of Port Health Authorities (APHA)</li> <li>-Food Standards Agency (FSA) - One Resolution</li> <li>- Chartered Institute of Environmental Health (CIEH)</li> </ul>	
17/05/19	Area Planning & Enforcement Officer	Interest	Member of 1 <sup>st</sup> Debenham Scout Group.		Officer will not be given applications relating to scouting applications to avoid conflict of interest.
16/05/19	Port Health Officer	Interest	Close personal relationship with an individual working for a local shipping agent	Far Logistics, Unit 7, Summit Business Park, Langer Road, Felixstowe, IP11 2JB	Where possible, to avoid direct communication with the individual concerned in relation to work.
16/05/19	Import Control Assistant	Interest	In a relationship with the Import Manager at George Baker Shipping	George Baker Shipping, 4 Parker Ave, Felixstowe, IP11 4HF	
16/05/19	Import Control Assistant	Interest	Aunt works for World Transport Agency Ltd	World Transport Agency Ltd Unit 5, Suite 17 Orwell House, Ferry Lane, Felixstowe, IP11 3QP	
16/05/19	Port Health Support Officer	Interest	Relative works for Grange Shipping	Grange Shipping, Ordnance House, 1 Garrison Lane, Felixstowe, IP11 7SH	
16/04/19	Litigation Lawyer	Interest	Partner owns a digital marketing business. Officer currently assist assists with finances but is not remunerated for this	Box Maverick Digital Marketing	

11/04/19	Area Planning & Enforcement Officer	Interest	Former employee (Planner) of Permission Homes Suffolk		Permission Homes Suffolk currently have active/pending sites across the district. Officer was only involved as the lead planner on Leiston. Officer not to work on the 3 projects ongoing during her employment with the company.
27/03/19	Supervisor (Building Maintenance)	Interest	Partner is Planning & Quality Outcomes Manager		
27/03/19	HR Business Partner	Interest	Brother in law commences work in Customer Services 01.04.19		Officer not involved in recruitment process.
27/03/19	HR Business Partner	Interest	Brother in law sub-contracts for a company that carries out work on behalf of the Housing Needs Team in relation to gas plumbing	A1 Property Maintenance	
21/03/19	Environmental Health Technical Officer	Interest	Allocated a case to license a caravan site which belongs to fathers employer	Address in Sutton	Site visit carried out, but with an accompanying colleague.
11/03/19	Planning Policy & Delivery Manager	Interest	On the management committee for Lowestoft Ladies Hockey Club and Lowestoft Town Tennis Club		No financial interest, only active promotion. If future discussions come up around provision of tennis or hockey on site, officer will detach from future conversations.
25/02/19	Area Building Control Officer	Interest	Re elected on to the committee for 2019 Season of 'Woodbridge & District Motorcycle Club'	'Woodbridge & District Motorcycle Club.' - General Committee Member Blaxhall Pits, Blaxhall, IP17 1LG	Voluntary role
23/01/19	Customer Services Team Leader	Interest	Relationship with another officer (Customer Contact Assistant)		

23/01/19	Customer Services Advanced Apprentice	Interest	Relationship with another officer (Customer Services Team Leader).		
23/01/19	Housing Support Officer	Interest	Director in Building Design Business. Has a few houses that are rented out privately.		
07/01/19	HR Apprentice	Interest	Relative works in Tenant Services (Support Services Manager).		
05/12/18	Litigation Lead	Interest	Previously a director and shareholder at a company run by the officer's partner. Company dissolved 9.01.19. Now a shareholder in two other IT related companies.	IT by Andy Tillmana Group Ltd	Should either of these companies do any work for the council, or bid for any contracts, officer recognises they should not be involved in that work.
29/11/18	Head of Planning & Coastal Management	Interest	Resident of the district living in the Parish of Purdis farm. Member of Ipswich Golf Club.		Not to be involved in any planning applications or associated work, that will have, or be perceived to have any direct impact on the officer's home or the Ipswich Golf Club.
06/11/18	Assistant Planning & Enforcement Officer	Interest	Close family relationship with an individual working as admin staff for a Planning Agent that deals with the Council.	Peter Wells Architects 73 Barton Road, Woodbridge, IP12 1JH	
06/11/18	Area Planning & Enforcement Officer	Interest	Uncle is an agent for an architectural company.	Mr John Denny (Agent) John Denny Associates Ltd 43 Oulton Road, IP3 0QD	



## AUDIT AND GOVERNANCE COMMITTEE

Monday, 29<sup>th</sup> July 2019

### INDICATIVE ANNUAL FEE LETTER 2019/20

#### EXECUTIVE SUMMARY

1. Ernst and Young (EY) have issued their indicative annual fee letter for 2019/20. The audit fee is the first to be issued for East Suffolk Council and is based on the overall level of risk in 2019/20 not being significantly different to the risks from the predecessor Councils in 2018/19. The indicative audit fee has been set at £69,964 for 2019/20.
2. EY have also indicated that their proposed audit fee for reporting on the housing benefit subsidy claim is £15,829.

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All Wards in the District
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<b>Cabinet Member:</b>	<p>Councillor Steve Gallant</p> <p>Leader of the Council and Cabinet Member with Responsibility for Resources</p> <p>Councillor Maurice Cook</p> <p>Assistant Cabinet Member with Responsibility for Resources</p>
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<b>Supporting Officer:</b>	<p>Simon Taylor</p> <p>Chief Finance Officer</p> <p>01394 444570</p> <p><a href="mailto:simon.taylor@eastsuffolk.gov.uk">simon.taylor@eastsuffolk.gov.uk</a></p>
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## **1 INTRODUCTION**

- 1.1 East Suffolk Council has opted to take up the remaining four year contract between the predecessor Councils (Suffolk Coastal and Waveney District Councils) and the Public Sector Audit Appointments (PSAA) to appoint the Council's external auditor through a national scheme running up to 2022/23.
- 1.2 As the predecessor Council's external auditors were Ernst and Young (EY), the PSAA decided to appoint EY as East Suffolk Council's external auditors.
- 1.3 Also, the Council was required by the Department for Work and Pensions to appoint their own external auditors to report on the housing benefit subsidy claim as this is not covered by the PSAA appointment. The Chief Finance Officer has decided to appoint EY for this role as EY has to undertake certain audit work as part of the statement of accounts to gain assurance that the housing benefit subsidy claim reported within the statement of accounts is materially correct.
- 1.4 The work carried out by EY under the Statement of Accounts is then carried forward into the audit of the housing benefit subsidy claim, reducing the work they have to undertake. If the Council was to appoint another audit firm to audit the housing benefit subsidy claim, the Council would be charged twice for this work.

## **2 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?**

- 2.1 The audit of the Statement of Accounts and the housing benefit subsidy claim are statutory requirements set out in Government legislation, therefore this report does not link directly to the East Suffolk Business Plan.

## **3 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 3.1 The 2018/19 audit fees proposed for the predecessor Councils was £80,275. The proposed audit fee for East Suffolk Council in 2019/20 is £69,964. This represents a £10,311 reduction in audit fee through being one council. The 2020/21 fee is due to reduce further as the 2019/20 fee includes an increase in risk based on it being the first year of existence of East Suffolk Council and additional work will be required on areas such as opening balances.
- 3.2 The fee that has been agreed for 2020/21 onwards is £60,034, which represents a further £9,930 saving, bring the total annual saving to £20,241 or 25%.
- 3.3 The proposed fee to be charged in relation to EY reporting on the housing benefit subsidy claim is £15,829.

## **4 OTHER KEY ISSUES**

- 4.1 No other key issues to note.

## **5 CONSULTATION**

- 5.1 The PSAA undertook consultation on the proposed audit fee for East Suffolk Council with both the Council and EY.

## **6 OTHER OPTIONS CONSIDERED**

- 6.1 The Council had the choice to ask the PSAA to consider appointing another external audit firm to the Council's audit of the Statement of Accounts, but the Council decided not to

take this option up due to the good working relationship that has been built up between the Council and EY to ensure an efficient audit process is undertaken.

## **7 REASON FOR RECOMMENDATION**

- 7.1 The Audit and Governance Committee, as those charged with the Council's governance, are required each year to receive the Council's external auditors indicative fee for the coming year.

### **RECOMMENDATIONS**

1. That the Committee receives and notes the indicative annual fee letter for 2019/20 from Ernst and Young.

### **APPENDICES**

<b>Appendix A</b>	Indicative Annual Fee Letter 2019/20
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Mr. Stephen Baker  
Chief Executive  
East Suffolk Council  
East Suffolk House, Station Road  
Melton  
IP12 1RT

25 April 2019

Ref: Fee Letter/19-20

Direct line: 01582 643 008

Email: [DHanson@uk.ey.com](mailto:DHanson@uk.ey.com)

Dear Stephen

### **Annual Audit 2019/20**

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year at East Suffolk Council.

From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

The appointment of an auditor to report on the Council's housing benefit subsidy claim is no longer covered by the PSAA appointment.

### **Indicative audit fee**

For the 2019/20 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise, as is the case for East Suffolk Council as a newly formed organisation.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and

- Whole of Government accounts.

Our final fee will include the impact of additional risks and/or circumstances that are out of the scope of the scale fee, for example:

- The preparation of group accounts;
- Additional work performed on asset valuations, including the involvement of our valuation specialists;
- Additional work performed on the valuation of the net pension liability, including the involvement of our pension specialists; and
- Additional work arising from the implementation of IFRS 16 Leases.

At this stage, the indicative fee is set at the scale fee.

This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that in the prior year for Suffolk Coastal and Waveney District Councils.
- There is an increase in the scale fee for 2019/20 compared to subsequent years to recognise the increased risk in the first year of existence of East Suffolk Council and additional work that will be required on areas such as opening balances;
- Officers meet the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by Officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit of Suffolk Coastal and Waveney councils for 2018/19, our audit planning process for East Suffolk Council for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### Summary of fees

	Indicative fee 2019/20 £
Scale Fee	69,964
<b>Total Code audit fee</b>	<b>69,964</b>
Other fees charged by us for reporting on housing benefit certification	15,829

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance. All variations to the scale fee will be subject to PSAA approval.

### Billing

The scale fee will be billed in 4 quarterly instalments of £17,491.

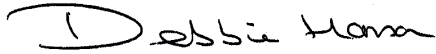
### Audit plan

Our plan is expected to be issued in March 2020. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Finance Officer & Section 151 Officer and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Audit and Governance Committee.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

We remain committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me, or Janet Dawson as our Government and Public Sector Assurance Leader at [jdawson1@uk.ey.com](mailto:jdawson1@uk.ey.com). If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

A handwritten signature in black ink that reads "Debbie Hanson". The signature is written in a cursive style, with the first name "Debbie" and the last name "Hanson" clearly legible.

Debbie Hanson  
Associate Partner  
For and on behalf of Ernst & Young LLP

cc. Simon Taylor, Chief Finance Officer & Section 151 Officer

## **AUDIT AND GOVERNANCE COMMITTEE**

Monday, 29 July 2019

### **ANNUAL INTERNAL AUDIT REPORT 2018/19**

#### **EXECUTIVE SUMMARY**

1. The Annual Internal Audit Report 2018/19 (Appendix A) details the work undertaken by the Internal Audit Service for the year 2018/19 in accordance with the plan for the year presented to both Suffolk Coastal and Waveney District Councils in March 2018.
2. This report is being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference:

*"To consider the Head of Internal Audit's Annual Report: The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement. The opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement."*

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All
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<b>Cabinet Member:</b>	<p>Cllr Steve Gallant</p> <p>Leader of the Council and Cabinet Member with responsibility for Resources</p>
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<b>Supporting Officer:</b>	<p>Mrs Siobhan Martin</p> <p>Head of Internal Audit</p> <p>01394 444254</p> <p><a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a></p>
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## **1 INTRODUCTION**

- 1.1 This Annual Report provides the Committee with an overview of the Internal Audit Service for 2018/19, in accordance with the Public Sector Internal Audit Standards 2013 (amended 2016 and 2017) (PSIAS).

## **2 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?**

- 2.1 The entire Internal Audit plan and outputs directly supports the governance environment which proactively contributes to delivering the East Suffolk Business Plan.

## **3 CONSULTATION**

- 3.1 The Cabinet Member for Resources and the Senior Management Team have been consulted on the content of this report.

## **4 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 4.1 Internal Audit recommendations and advice support a robust corporate governance framework. Delivering the Internal Audit Service Plan in addition to the reactive work performed during the year is an essential element in mitigating the risk of losses arising from error, irregularity and fraud.
- 4.2 Efficiency, effectiveness and economy reviews form part of the work undertaken in the year. The work of Internal Audit Services represents a fundamental function in delivering the Council's Corporate Governance responsibilities.
- 4.3 The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require a relevant authority to '...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'
- 4.4 The implications and benefits of agreed recommendations produced by Internal Audit affect all areas by improving controls and processes, which contribute towards efficient and effective management of services.

## **5 REASON FOR RECOMMENDATION**

- 5.1 To ensure the Committee fulfils its terms of reference and supports the Internal Audit process, enabling good governance over public funds.

### **RECOMMENDATIONS**

That the Head of Internal Audit's Opinion for 2018/19, as set out in Appendix A to the report, be commented upon.

### **APPENDICES**

<b>Appendix A</b>	Annual Audit Report 2018/19
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BACKGROUND PAPERS		
Date	Type	Available From
March 2018	Annual Audit Plan 2018/19	Head of Internal Audit
2018/19	Internal Audit Reports	
April 2017	Public Sector Internal Audit Standards	

## Appendix A: Annual Audit Report 2018/19

<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
<b>Reasonable</b>	<b>Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.</b>
<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

## 1. HEAD OF INTERNAL AUDIT'S OPINION ON THE COUNCILS' CONTROL ENVIRONMENT 2018/19

This opinion relates to both Suffolk Coastal District and Waveney District Councils, which ceased to exist 31 March 2019 and have been replaced by East Suffolk Council.

It is my opinion that **reasonable assurance** can be placed upon the adequacy and effectiveness of the Council's systems of governance, risk management, and internal control in the financial year 2018/19. I wish to highlight the following key areas that have been reported within the 2018/19 Annual Governance Statement.

*Contract Management – The Councils strategic governance arrangements over contracts requires further strengthening, specifically around the Procurement Strategy and Contracts Register.*

*Asset Management – The Councils strategic governance arrangements with regards Asset Management requires improvement, specifically around the Asset Management Strategy and centralised Asset Register.*

I acknowledge that throughout 2018/19 significant efforts have been made by the Service Areas to improve controls and governance arrangements over contract and asset management. The Head of Operations has on a quarterly basis reported progress and provided assurances to the Audit and Governance Committee on these areas.

I have included reviews of these areas within the Internal Audit Plan for 2019/20, where substantive testing will assess the changes being made.

This has been a challenging year with the creation of the new Council along with the extra demands required to ensure the successful implementation of new data protection laws. The original strategic risk based Internal Audit Plan has been flexed accordingly to support the changing environment, and I am satisfied that the governance work undertaken is comprehensive and contributes to my reasonable assurance opinion.

Siobhan Martin  
Head of Internal Audit  
30 April 2019

## 2. Purpose and Background

- 2.1. The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2015 which requires a local authority to ‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.
- 2.2. CIPFA’s Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to report periodically to senior management and the Audit & Governance Committee on Internal Audit’s purpose, authority, responsibility via the Internal Audit Charter.
- 2.3. To comply with the Internal Audit Charter this end of year report provides a summary of the year’s work of the Internal Audit Service. This report includes information on the performance of the Internal Audit Service against the audit plan; an objective evaluation and opinion from the Head of Internal Audit on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control and any significant issues related to the processes for controlling the activities of the Council. The issue of this report is timed to support the annual review of the Council’s Corporate Governance and production of the Council’s Annual Governance Statement.

## 3. Performance and Outturn for 2018/19

- 3.1. The table below demonstrates the spread of work that has been completed during 2018/19 and their current status.

Type of audit	2018/19 original plan (Total)	2018/19 additions (Total)	Completed (Assurance Opinion Report) <sup>1</sup>	Completed (Non-Opinion Report or Alternative sources of Assurance) <sup>2</sup>	Not Required or Deferred <sup>3</sup>
Key Systems	13	0	9	3	1
Probity	18	0	4	9	5
Consultancy and Special Investigations	5	0	0	5	1
Other <sup>4</sup>	1	1	0	2	0
<b>Total</b>	<b>37</b>	<b>1</b>	<b>13</b>	<b>18</b>	<b>7</b>

<sup>1</sup> These are detailed within Appendix A

<sup>2</sup> These are detailed within Appendix B and Appendix C

<sup>3</sup> Reasons for entries in this list are provided in Appendix D

<sup>4</sup> Other – Work to support the Council’s Information Governance and Data Protection activities, or self-assess the Internal Audit Service

#### 4. Summary of work undertaken in year that enabled the Head of Internal Audit to provide an Opinion

- 4.1. For the 2018/19 year, the Head of Internal Audit's Annual Opinion states reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system. There is no qualification to this opinion but it has been highlighted that improvements are still required in two main areas as detailed within Section 1.
- 4.2. There have been no formal reports of internal frauds or Whistleblowing cases to the Head of Internal Audit.
- 4.3. Significant issues raised by the Internal Audit Service are assessed by the Corporate Risk Management Group for recording in the Council's Risk Register, which is monitored at Corporate Governance meetings.
- 4.4. Four categories are used to classify the overall level of assurance of the processes examined and the adequacy of the individual key control area. These are Effective, Reasonable, Limited and Ineffective. A clear definition of each has been supplied in a table at the start of this report.
- 4.5. The table in **Appendix A** constitutes a summary of the audit work undertaken in the year (planned audit coverage for the 2018/19 was presented to Audit and Governance Committee at Suffolk Coastal District Council on 7<sup>th</sup> March 2018 and Waveney District Council 15<sup>th</sup> March 2018), resulting in an individual audit opinion that has enabled (along with other audit activity detailed in Section 5) the Head of Internal Audit to provide the Annual Audit Opinion as set out in Section 1.
- 4.6. The tables in **Appendices B & C** details work that has been undertaken where an audit opinion was not applicable, but that has contributed towards the Head of Internal Audit's yearly opinion.
- 4.7. The table in **Appendix D** details work that was planned for the 2018/19 annual plan and has not been undertaken, with commentary on the reasons why this work was either cancelled or deferred.

#### 5. Other sources of assurance supporting the Head of Internal Audit opinion

- 5.1. The Head of Internal Audit's evaluation of the control environment is informed by a number of sources, including:
  - a) The planned audit work undertaken by internal audit during the year 01 April 2018 to 31 March 2019;
  - b) Consultancy and additional work requested and performed by the Service throughout the year;

- c) The representation of the Head of Internal Audit within Corporate Management Team (CMT), Designated Officer Group, governance days and direct line management contact with the Chief Executive;
- d) Reports issued by the Council's external auditors;
- e) The involvement of the Head of Internal Audit of the Council's governance, risk management, performance monitoring, and internal control arrangements; and
- f) The on-going work with management to assess and provide assurance on efficiency, effectiveness and reliability of key systems.

## 6. Quality Assurance and Improvement Programme (including a statement on conformance with PSIAS)

- 6.1. Internal Audit Services with the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which has been in place since 1 April 2013 and were revised on 1 April 2016. The standards require periodic self-assessments and an assessment by an external person every five years.
- 6.2. Suffolk Coastal and Waveney District Councils were reviewed in November 2016 by the Chartered Institute of Public Finance and Accounting. The review also included checking compliance with the Local Government Agency Note (LGAN) where this has requirements in addition to those in PSIAS.
- 6.3. The review identified no areas of non-compliance within PSIAS across the Councils.
- 6.4. An annual self-assessment was completed during 2018/19 which generated an action plan with improvement points. The action plan was presented to Audit and Governance Committee at Suffolk Coastal District Council on 10 September 2018 and at Waveney District Council on 20 September 2018. The self-assessment concluded ***continued compliance***. An independent external assessment of PSIAS compliance (a 5 year compulsory requirement) is programmed in 2019/20.
- 6.5. A quality review process is in place within the Internal Audit Team which includes:
  - a) All work carried out within the audit team is reviewed to ensure that audit work has been performed in accordance with agreed objectives for that audit, and that risk based assessments and fair conclusions have been reached based on clearly demonstrable evidence.
  - b) A draft audit report is issued to management at the end of each audit which is accurate, clear, concise, and is based on risk based assessments. The draft report includes a supported opinion (if applicable) with a set of agreed actions which are achievable, make sense, and mitigate risks.

- c) At the conclusion of each audit a Customer Satisfaction survey is provided to Service Managers to complete. This gives the opportunity for the customer to give their view of the quality and usefulness of the audit review undertaken. Negative feedback is rare and when received will be investigated by the Internal Audit Manager and reported to the Head of Internal Audit. During 2018/19 customer feedback when received has been **positive**.
- 6.6. During 2018/19 the Head of Internal Audit has approved and overseen changes to the staff structure and procedural changes, both of which have been implemented to improve the service provided, adapt to increase demand, the ever changing risk environment and the introduction of East Suffolk Council. These improvements are ongoing and will continue throughout 2019/20.
- 6.7. Four actions were identified in the 2018/19 self-assessment. Two have been completed and two are in progress. Eight further actions were identified within the Audit service during 2018/19 for inclusion in the Quality Assurance and Improvement Programme Action Plan, and have also been completed.
- 6.8. The Quality Assurance and Improvement Programme Action Plan has been updated to capture a further five improvement areas planned for 2019/20, and all actions will be monitored regularly within the service. Reports will also be presented to Audit and Governance Committee.

## **7. Organisation Independence and Objectivity of Internal Audit**

- 7.1. The mission of the Internal Audit Service is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. All Internal Audit activity forms part of the crucial evidence that enables the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement that accompanies the Annual Accounts and reports on the effectiveness of the Councils' governance and internal control arrangements). External Audit may also place reliance upon Internal Audit's work coverage to ensure that systems controls are adequate and effective.
- 7.2. To provide this service Internal Audit must have the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.
- 7.3. The Internal Audit Charter agreed by Audit & Governance Committee in September 2018 sets out how the internal audit function will operate to ensure Independence and Objectivity.
- 7.4. The Council's Constitution clearly supports independence and objectivity, and requires that the Chief Executive 'ensure that the Head of Internal Audit has direct access to and

freedom to report in his or her name and without fear or favour to the Chief Executive and the Chief Finance Officer, the Cabinet and the Audit & Governance Committee, all levels of management, Officers and elected Members’.

- 7.5. During 2018/19, the Head of Internal Audit confirms that the internal audit activity was independent and objective from the organisation, in accordance with the requirements of the PSIAS.

## APPENDIX A – Reviews completed with an assurance audit opinion

<b>Audit</b>	<b>ASSURANCE</b>
Joint Review of Safeguarding*	Good (Effective)
Joint Review of IDOX / Uniform System - Planning and Development Control	Reasonable
Joint Review of Payroll	Effective
Joint Review of Homelessness Prevention Grants Payments	Effective
Joint Review of Treasury Management	Effective
Joint Review of Bank Reconciliation and General Ledger	Effective
Joint Review of Accounts Payable	Reasonable
Joint Review of Accounts Receivable	Effective
Joint Review of Ethics and Culture	Effective
Review of Bailiff Services (assurance via the Breckland District Council Audit Service)*	Good (Effective)
Review of Council Tax and Overpayments (assurance via the West Suffolk Council Audit Service)*	Adequate (Reasonable)
Review of NNDR*	Adequate (Reasonable)
Review of Housing Benefits (assurance via the West Suffolk Council Audit Service)*	Adequate (Reasonable)

\* The assurance for audits issued early in 2018/19 or relating to the Anglia Revenues Partnership use the former opinion categories of Good, Adequate, Limited, and No Assurance.

**APPENDIX B – All other audit work undertaken where no formal report has been issued that has contributed towards the Head of Internal Audit annual opinion.**

Audit	COMMENTS
Joint Review of Asset Management	Internal Audit has worked with the Service Areas responsible throughout 2018/19 to monitor and check progress of the implementation of risks highlighted during the 2017/18 audit reviews.
Joint Review of Contract Management	
Joint Review of Partnerships [as Contract Management (Health and Safety in Partnerships)]	The Head of Internal Audit has made reference to two of these areas within Internal Audit Annual Opinion.  Monitoring is ongoing, with further Internal Audit follow-up work planned during 2019/20.
Joint Review of Cash and Banking	Assurance in these areas has been gained from:  <ul style="list-style-type: none"> <li>• Work reallocated to the Bank Reconciliation/General Ledger audit on income feeder systems.</li> <li>• Work undertaken within the IDOX / Uniform System - Planning and Development Control audit on receipt of income specific to the planning service.</li> <li>• No significant risk areas were identified during 2017/18.</li> <li>• Provision of advice by Internal Audit on the new Cash Receipting System</li> </ul>
Joint Review of Cash Receipting System	
Review of Housing Rents	Assurance in these areas has been gained from:  <ul style="list-style-type: none"> <li>• Work reallocated to the Bank Reconciliation/General Ledger audit on financial feeder systems.</li> <li>• Internal Audit oversight of regular stock checks.</li> <li>• Special internal investigation within this area (reported in Appendix C)</li> </ul>
Review of Housing Repairs and Maintenance	
Review of Procurement	Assurance in this area has been gained from:  <ul style="list-style-type: none"> <li>• Ongoing work to monitor the improvements identified as necessary in the Contracts Management audit (see row 1 of this table)</li> <li>• Input into the corporate review of the Financial Procedure Rules for East Suffolk Council (reported in Appendix C)</li> <li>• Input into the review of the Contract Procedure Rules for East Suffolk Council (reported in Appendix C).</li> </ul>

## APPENDIX C - Special investigations, consultancy and compliance work

Audit	COMMENTS
Corporate Governance and Risk Management Support	Head of Internal Audit attendance on Corporate Governance days, and provision of independent professional advice.
Annual Governance Statement	The Head of Internal Audit prepared the Council's Annual Governance Statement for 2018/19
Members Requests	The Audit and Governance Committee (Suffolk Coastal District Council) requested assurance on the governance arrangements for Suffolk Sport (now Active Suffolk).
Review of Lowestoft Charter Trustees	The Head of Internal Audit audited the last year's financial statement for this trust.
PSIAS self-assessment	A self-assessment on Internal Audit's compliance with PSIAS and the production of an improvement plan.
Data Protection Act 2018 and the General Data Protection Regulations (GDPR).	<p>The Head of Internal Audit is the Data Protection Officer for the Councils. The Internal Audit Team have had the responsibility of ensuring compliance with the Act which has included:</p> <ul style="list-style-type: none"> <li>• The writing of corporate guidelines</li> <li>• Training</li> <li>• Responding to requests from data subjects</li> <li>• Providing advice and guidance</li> <li>• Setting up of standard templates and wording</li> <li>• Responding to requests for data sharing from third parties</li> <li>• Investigating cases of alleged breaches</li> <li>• Development of a database to manage Data Protection activities</li> </ul> <p>Work in this area is ongoing.</p>
National Fraud Initiative (NFI)	<p>Throughout the year Internal Audit administer the Council's participation. Including:</p> <ul style="list-style-type: none"> <li>• Data Protection compliance</li> <li>• Uploading of data</li> <li>• Investigation of data matches</li> </ul>
Merger	<p>Internal Audit supported the following workstreams as part of the creation of East Suffolk Council:</p> <ul style="list-style-type: none"> <li>• Input into the corporate review of the Financial Procedure Rules for East Suffolk Council</li> <li>• Input into the review of the Contract Procedure Rules for East Suffolk Council</li> <li>• Input into the review of the new Constitution for East Suffolk</li> <li>• Input into the merger of Council Tax, NNDR and Housing Benefits systems for East Suffolk Council</li> <li>• Review of policy documents owned by the Internal Audit Service</li> </ul>
Consultancy and Special Investigations (comprising two audits)	One consultancy and special investigation has been undertaken within 2018/19 on Travellers Site Management.
Criminal Finances Bill	A Status Report was issued in October 2018 that identified progress in meeting the Council's legal requirements. A further consultancy audit on this subject has been included in the 2019/20 Audit Plan.

## APPENDIX D – Reviews that have been cancelled or deferred and the reasons why

<b>Audit</b>	<b>Status</b>	<b>COMMENTS</b>
Joint Review of Disabled Facilities Grant	Not required	There was no requirement from Suffolk County Council to provide assurance on grant expenditure during 2018/19.
Charities	Not required	There was no requirement for the Head of Internal Audit to review these accounts in 2018/19.
Joint Review of Commercial Rents	Deferred	Asset Management has been undertaking a full scale review of its assets as detailed in Appendix B. Internal Audit has been monitoring the progress in this area and has determined that full assurance testing would be better placed once the review is complete.
Joint Review of Car Parks	Deferred	Assurance has been taken from the 2017/18 review which was completed at the very end of March 2018.
Joint Review of Fixed Asset Register	Deferred	Asset Management has been undertaking a full scale review of its assets as detailed in Appendix B. Internal Audit has been monitoring the progress in this area and has determined that full assurance testing would be better placed once the review is complete.
Joint Review of Organic Waste Recycling (Green Waste)	Deferred	Deferred to allow a substantial sample period to be in place.
Joint Review of Consultants and Agency Usage	Deferred	Deferred to allow the implementation of new financial systems and the commencement of East Suffolk Council.



## AUDIT AND GOVERNANCE COMMITTEE

Monday 29 July 2019

### CORPORATE FRAUD ANNUAL REPORT 2018/19

#### EXECUTIVE SUMMARY

1. This report provides a summary of the performance of the Corporate Fraud Service covering Suffolk Coastal and Waveney District Councils for the period 1 April 2018 to 31 March 2019.
2. This report is presented to the Audit and Governance Committee in compliance with its terms of reference to 'Review the assessment of fraud risks and potential harm to the Council from fraud and corruption. Monitor the counter-fraud strategy, activity and resources'.

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All
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<b>Cabinet Member:</b>	Councillor Steve Gallant, Leader of the Council and Cabinet Member with responsibility for Resources Councillor Richard Kerry, Cabinet Member with responsibility for Housing
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<b>Supporting Officer:</b>	Mrs Siobhan Martin Head of Internal Audit 01394 444254 <a href="mailto:siobhan.martin@east Suffolk.gov.uk">siobhan.martin@east Suffolk.gov.uk</a>
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## **1 INTRODUCTION**

- 1.1 This report provides a summary of the performance of the Corporate Fraud Service covering Suffolk Coastal and Waveney District Councils for the period 1 April 2018 to 31 March 2019.

## **2 BACKGROUND**

- 2.1 Since 1 May 2015 the Councils have a dedicated Corporate Fraud Service. Housing Benefit Fraud Investigations transferred to the Department for Work and Pensions (DWP), which has statutory responsibility for investigating Housing Benefit Fraud under the national Single Fraud Investigation Service (SFIS).
- 2.2 Suffolk Coastal and Waveney District Councils (now East Suffolk Council) have a zero tolerance approach to fraud and corruption. A comprehensive programme of proactive and reactive anti-fraud work has been undertaken in 2018/19.
- 2.3 The Corporate Fraud Service will investigate any aspects of the corporate fraud activity relating to the Councils and their services, taking into account the risk of loss to the Councils and reputational damage this may cause.
- 2.4 Since 1 April 2013, Local Authorities' powers have increased via the introduction of the Local Council Tax Reduction Scheme (LCTRS) Regulations (replacing Council Tax Benefit). These powers are no longer under the guidance of the DWP and not classed as benefit. Currently most Single Person Discount and Local Council Tax Reduction checks are performed by the Anglia Revenues Partnership (ARP), including the NFI results (National Fraud Initiative Exercise) allocated to them - see Appendix A for their declared results (a mixture of error and fraud and proactive exercises).
- 2.5 A continued focus during 2018/19 has been to maintain good working relationships across service areas within the Council, and particularly to widen the scope of the Corporate Fraud Service (and Internal Audit) input within the Housing Team, Community Services, Gateway to Home Choice, Environmental Health Service, Planning, Procurement, Business Rates and Human Resources (recruitment) etc, as well as other services which may benefit from fraud awareness training and closer liaison to understand how fraud could permeate their areas of work.

## **3 RESOURCES**

- 3.1 The Corporate Fraud Service consists of one full time Manager and two full time Investigation Officers and a part time Intelligence Officer which worked across Suffolk Coastal and Waveney District Councils (now East Suffolk Council), and sits within Internal Audit Services under the direction of the Head of Internal Audit. The Head of Service is an Accredited Senior Appropriate Officer by the National Crime Agency (NCA) and one officer is an Accredited Financial Investigator by the NCA which provides the Council with an opportunity to recoup financial losses as a result of fraudulent activity.
- 3.2 The Internal Audit and Corporate Fraud Services have a contract with Ipswich Borough Council. This provides additional resources if required, as well as the services of three further Accredited Financial Investigators and one Financial Intelligence Officer.
- 3.3 Each year the Corporate Fraud Service expects to recover at least two times the cost of the Service from preventing fraudulent cases or identifying fraudulent payments for recovery. The Service cost £156,694 in 2018/19. The value of anti-fraud work is a combination of qualitative value, i.e. the value placed upon deterrent activity, plus financial values of the opportunity costs saved, and this equated to £1,823,485.

## **4 PERFORMANCE / OUTTURN**

4.1 The Head of Internal Audit directs and monitors the overall performance of the Corporate Fraud Service. The day to day management of the Service resides with the Corporate Fraud Manager. This report represents the performance/outputs of the Corporate Fraud Service across the Partnership between Suffolk Coastal and Waveney District Councils during 2018/19. It is acknowledged that Waveney District Council has retained its social housing stock, and as in previous years a significant amount of the year's work has taken place in this area under the Prevention of Social Housing Fraud Act 2013 and the Right to Buy (RTB) regulations. These cases usually have an element of other irregularities too – Council Tax Single Person Discount (SPD), LCTRS, RTB (non entitled) succession rights etc which are all dealt with by this Team.

4.2 The Corporate Fraud Service investigates a variety of frauds which the Councils are vulnerable to, including:

- Right To Buy
- Social Housing Fraud
- Gateway to Home Choice applications
- Council Tax Reduction Scheme (referred to ARP)
- Single Person Discount / Empty Properties
- Grants
- Business Rates
- False identity documents (Internal & external)
- Blue Badges
- National Fraud Initiative (NFI Government led-exercises)
- Internal investigation cases (disciplinary etc)
- Housing Benefits (referred to the DWP (SFIS) for investigation)

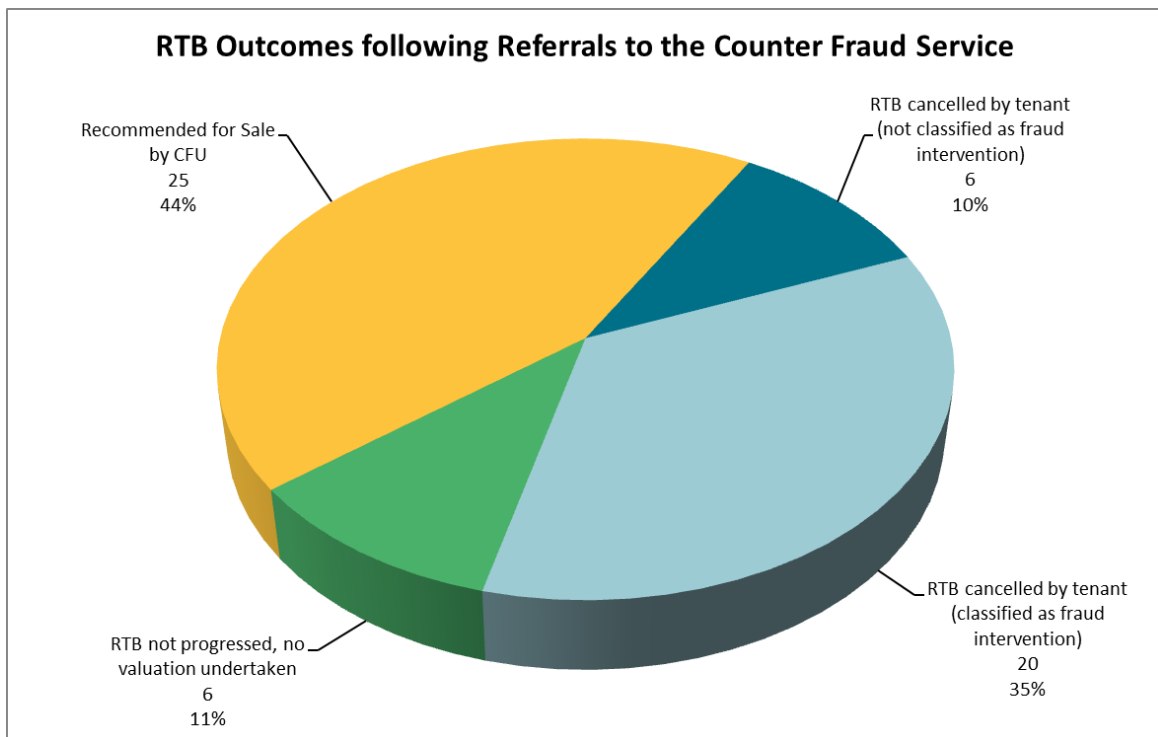
### **4.3 Right to Buy (RTB)**

4.3.1 A continuing vital area of work undertaken by the Corporate Fraud Service this last year has been operating a robust “due diligence” reference check on all “Right to Buy” (RTB) application forms submitted to Waveney District Council (now known as East Suffolk Council) in accordance with the Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017.

4.3.2 The Corporate Fraud Service undertakes checks on the following for each RTB case referred by Tenancy Services:

- Tenant's legal right to buy the property
- Tenant's residence at the property
- Source of funding, including funds from third parties
- Interviews
- Identity verification

4.3.3 Figure 1 provides details of all referrals made to the Corporate Fraud Service in 2018/19 and the results of each case.



**Figure 1: Outcomes of Right to Buy cases following their referral to the Corporate Fraud Service**

4.3.4 As shown in Figure 1, a number of RTB applications during 2018/19 did not progress following referral to the Corporate Fraud Service. These have been classified into two areas: those cancelled as a direct result of fraud intervention and those cancelled by the tenant for varying reasons (such as lack of funds) that have not undergone additional verification by CFU:

- (1) Twenty RTB applications have been classified as cancelled following fraud intervention. As a result these properties, with a market value of £2,821,500, remain part of the Council's tenancy portfolio. The intervention of Corporate Fraud Services has financially benefited the Council by £1,256,025, which is the expected value of the discount that would have been awarded had the sales progressed.
- (2) Six RTB applications have been cancelled without fraud intervention. These properties had a market value of £811,000, and if progressed could have resulted in sale income of approximately £440,000.

- 4.3.5 During the year 2018/19 the Corporate Fraud Service recommended 25 properties could proceed for sale. The combined market value of these 25 properties was £3,521,000. Following the application of relevant discounts totalling £1,680,105, plus a rebate of £19,120 due to previously awarded discounts, the income due to the Council from these agreed sales is £1,860,515.
- 4.3.6 Figure 2 below shows the impact of RTB applications where the Corporate Fraud Service recommended the sale could proceed, breaking down the agreed price and discount applied per geographical area

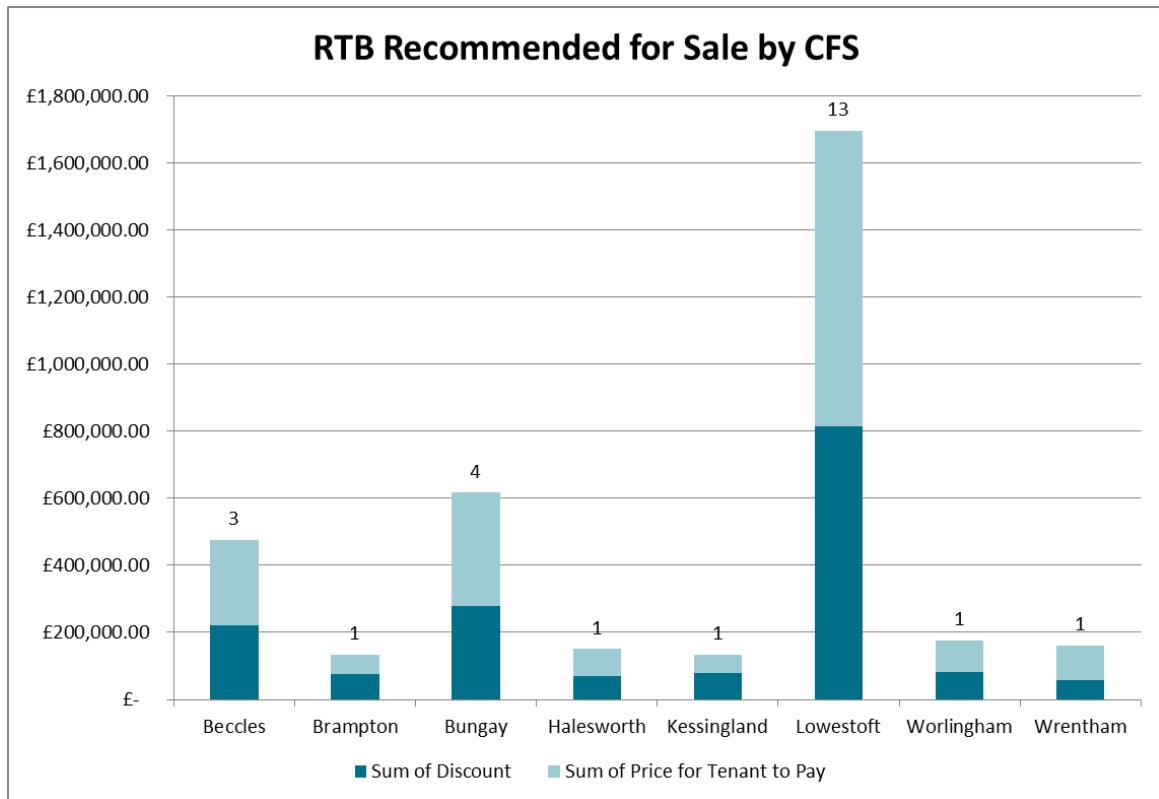


Figure 2: Sale price by geographic area, broken down by discount and sale price due to the Council

- 4.3.7 Due to the continued success and joint working relationship between the Corporate Fraud Service and Housing Tenancy Service, this proves to be a high interest area of fraud prevention work.

#### 4.4 Social Housing Fraud (Tenancy Fraud)

- 4.4.1 Social housing fraud deprives legitimate tenants of access to affordable homes and has a direct impact on local people, their families and communities.
- 4.4.2 The Prevention of Social Housing Fraud Act 2013 (POSHFA) – has two criminal offences that apply to social housing tenants. Firstly, where the tenant sublets or parts with possession of a property or ceases to occupy knowing that it is a breach of tenancy. The second, more serious offence is where a tenant dishonestly, in breach of tenancy, sublets without consent and ceases to occupy the property as their only or principal home.
- 4.4.3 The first offence only requires knowledge that the tenant sublet their home in breach of their tenancy agreement, the second offence requires proof this was done dishonestly.
- 4.4.4 The proven criminal offence of social housing fraud may result in a fine of up to £5,000 for a first offence. A second offence under this Act (POSHFA) could lead to a jail term of up to two years or an unlimited fine.
- 4.4.5 The Corporate Fraud Service has received 24 case referrals in the area of suspected Tenancy Fraud which have been / are currently being investigated. The Service has received referrals from other Social Housing Associations as the Councils have been granted additional powers under POSHFA to make enquiries to prevent fraudulent activity which currently Social Landlords do not have.
- 4.4.6 The Cabinet Office (November 2018) detailed the use of a notional value of at least £93,000 per property as a benchmark for the average cost per annum of tenancy fraud. This figure is a consideration of many factors e.g. cost of temporary accommodation costs, legal costs to recover the property; re-let costs; and rent forgone during the void period between tenancies.
- 4.4.7 Of the 17 cases reviewed (some ongoing), five properties were returned to WDC usage. The prevention of potential financial loss to WDC per property recovered is calculated using the National Fraud Initiative figures.

Tenancy recovered	No	Value
2 bed Bungalow	2	£186,000
2 bed Flat	3	£279,000
Total		<b>£465,000</b>

#### 4.5 Fraud Hotline referral – (Business Rates)

- 4.5.1 The Corporate Fraud Service received a fraud referral in respect of a local business (claiming small business rate relief “SBRR”). This resulted in the backdated removal of SBRR entitlement.

Business Rates	No	Value
SBRR irregularity identified	2 accounts	£58,678
Total		<b>£58,678</b>

#### 4.6 Disabled Facility Grants

- 4.6.1 Two fraud referrals were applications for disabled facility grants. In one case a builder subcontracted the work the grant was funding, but was unable to provide satisfactory invoices from the subcontractor; in the second case the grant recipient was found to be ineligible. Details of both cases have been provided to Internal Audit in order to inform the 2019/20 Internal Audit Plan of work.

<b>Disabled Facility Grants</b>	<b>No</b>	<b>Value</b>
DFG irregularity identified	2	£35,000
<b>Total</b>		<b>£35,000</b>

#### 4.7 Council Tax - Single Person Discount

- 4.7.1 The Corporate Fraud Service has received twenty case referrals in the area of Single Person Discount; to date this has resulted in the removal of SPD entitlement as follows:

<b>SPD</b>	<b>No</b>	<b>Value</b>
Single Person Discount	5 cases	£8,782
<b>Total</b>		<b>£8,782</b>

#### **4.8 National Fraud Initiative**

- 4.8.1 The Corporate Fraud Service continues to participate in the 2018/19 Cabinet Office National Fraud Initiative (NFI) data matching exercise and investigates all matches apart from CTAX/SPD/LCTR matches which are passed to the Anglia Revenues Partnership to investigate (see Appendix A for results).

### **5 EMBEDDING AN ANTI-FRAUD CULTURE**

- 5.1 Through the strategic lead of the Head of Internal Audit, the Corporate Fraud Service (Suffolk Coastal District Council, Waveney District Council and Ipswich Borough Council) have co-operated in the development of common processes, policies and training. The Anti-Fraud and Corruption Strategy has been reviewed, along with the Regulation of Investigatory Powers Act Policy and the Whistleblowing Policy. Additional partnership arrangements are currently being addressed.
- 5.2 The training opportunities offered by the Partnerships continue to be developed. In the last year there was joint training on subject matters as “Housing Masterclass”, Regulation of Investigatory Powers Act 2000 (RIPA) (59 Enforcement staff) and Criminal Procedure and Investigations Act 1996 (CPIA) in-house training etc., with more to follow in 2019/20.
- 5.3 Taking a wider corporate view as outlined in the Corporate Anti-Fraud Business Plan, the Service has forged stronger links with other services across the Councils to raise awareness of anti-fraud activity, e.g. Human Resources in relation to recruitment and Tenants meeting held off site to facilitate awareness of the Service.
- 5.4 The Corporate Fraud Service procured specialist Identity Fraud Training delivered by the Eastern Region Special Operations Unit (ERSOU) Counter Terrorism Policing Command. This was in order to raise fraud awareness for key customer facing staff and others dealing with identity issues.
- 5.5 Identification training will also be extended to external partnership representatives in order to widen the understanding of the fraud element in all businesses in respect of job applicants.
- 5.6 In order to negate the fraud risks for recruitment purposes (such as allowing someone to be employed based on false documentation), there is a proposal for an ongoing programme of fraud awareness training for Recruiting Managers throughout this year (2019/20). Enhanced financial checks will be undertaken by the Corporate Fraud Service going forward for selected Council jobs, which will be clearly described on the job application.
- 5.7 The Corporate Fraud Service recognises the need to promote their corporate services to enhance better quality corporate fraud referrals, or interception at the earliest stage. Briefing the Communications Managers on successful cases is recognised as good practice.
- 5.8 Corporate Fraud Officers are members of the National Anti Fraud Network and the Local Authorities Intelligence Officers Group.
- 5.9 The Corporate Fraud Service participated again in the International Fraud Awareness Week in November 2018 at East Suffolk House, Riverside and the Rotterdam Road Housing Depot. This resulted in 11 referrals for potential tenancy fraud, which are being investigated.
- 5.10 The work of the Corporate Fraud Service was promoted in the WDC tenants “Key Amnesty” valid from 1st October 2018 to 30th November 2018 which was advertised in

the Waveney Tenants Magazine dated “Summer” 2018. This allowed tenants to hand back their house keys if they were illegally subletting or not occupying their Council property as an alternative to being prosecuted as it is a criminal offence for a social tenant to sublet, not use the property as their main and principal home, or to receive rent payments from a third party to live there. The **Fraud Hotline: 01394 444444** and email **fraud@eastsuffolk.gov.uk** was also promoted.

- 5.11 The Corporate Fraud Service was also promoted in “Coastline” dated “Spring” 2019. *‘Working together to combat fraudulent activity; by investigating suspicious activity and preventing fraud, the Councils are ensuring public money is used for its proper purpose – to provide essential services’.*
- 5.12 The Corporate Fraud Service also participated with the Internal Audit Team in promoting fraud training in line with the new General Data Protection Regulations introduced in May 2018. Fraud training was given to 83 WDC Operatives who regularly visit tenant’s homes and now understand fraud awareness and how to report to the Corporate Fraud Service.
- 5.13 The Corporate Fraud Manager and Head of Internal Audit undertook some additional “Whistleblowing” training to Partnership organisations. This fraud awareness programme is due to be delivered to the newly elected Members for East Suffolk Council in 2019/20 and will also cover identity fraud and cyber fraud.
- 5.14 The Corporate Fraud Investigators authorised under the Proceeds of Crime Act 2002 and the Serious Crime Act 2015 previously provided training to various teams across the Councils on the legal powers available to recover money obtained fraudulently by criminal acts. This programme will continue to be rolled out in 2019/20.
- 5.15 National fraud alerts provided by the National Anti-Fraud Network are regularly disseminated to the relevant teams across the Councils for fraud awareness in accordance with their distribution policy.

## 6 CONCLUSION

- 6.1 The work of the Corporate Fraud Service, supported by Housing and Legal Services, has resulted in financial benefits to the Council both in preventing, and identifying/recovering fraudulent payments as follows:

<b>Fraud Area</b>	<b>Financial Benefit of CFS Intervention</b>
Right to Buy	£1,256,025
Tenancy Fraud	£465,000
Business Rates	£58,678
DFG Grants	£35,000
Council Tax SPD	£8,782
<b>Total</b>	<b>£1,823,485</b>

## 7 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?

- 7.1 This report represents the work of the Corporate Fraud Service which supports the delivery of all services across the Councils as described in the East Suffolk Business Plan.

## **8 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 8.1 The Corporate Fraud Service has been delivered within the approved budget for 2018/19.
- 8.2 The Corporate Fraud Service conducts investigations in accordance with the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Data Protection Act 2018, General Data Protection Regulations, Human Rights Act 1998, Regulation of Investigatory Powers Act 2000, Criminal Justice Act 2003, Social Security Administration (Fraud) Act 2001, Council Tax Reduction Scheme (Regulations) 2012, Bribery Act 2010, Prevention of Social Housing Fraud Act 2013, Proceeds of Crime Act 2002 and Money Laundering Regulations 2017 and the Criminal Finance Act etc.

## **9 OTHER KEY ISSUES**

- 9.1 Every investigation consider Human Rights laws, including equality issues, which supports the case whether an employment investigation, civil or criminal law investigation. This report has not required an individual equality impact assessment.

## **10 CONSULTATION**

- 10.1 Consultees – Cabinet Members with responsibility for Housing and Resources, Chief Executive, S151 Officer and External Auditor – Ernst and Young.

## **11 REASON FOR RECOMMENDATION**

- 11.1 To ensure the Committee is apprised of the Corporate Fraud work and performance over the last year (2018-19), and to fulfil its terms of reference.

### **RECOMMENDATIONS**

That the performance of the Corporate Fraud Service for the year 2018/19 be commented upon.

### **APPENDICES**

<b>Appendix A</b>	National Fraud Initiative Results 2018/19 – Anglia Revenues Partnership
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### **BACKGROUND PAPERS**

Please note that copies of background papers have not been published on the Council's website [www.eastsuffolk.gov.uk](http://www.eastsuffolk.gov.uk) but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.

Date	Type	Available From
March 2018	Corporate Fraud Business Plan 2018/19	Head of Internal Audit

## Appendix A

### National Fraud Initiative Results 2018/19 Anglia Revenues Partnership

The below tables show the results of the work undertaken by the Council's shared service partner, the Anglia Revenues Partnership, on the 2018/19 National Fraud Initiative exercise. These results include both financial **error** and fraud.

	<b>Totals</b>	
	<b>Suffolk Coastal District Council</b>	<b>Waveney District Council</b>
Council Tax – LCTS Reduction Scheme	£20,773.50	£17,165.04
Council Tax – Single Person Discount	£211,921.11	£160,108.70
Council Tax – Other	£5,508.04	£25,867.73
NNDR	£142,704.81	£18,712.50
<b>Total</b>	£380,907.46	£221,853.97



## AUDIT AND GOVERNANCE COMMITTEE

Monday 29 July 2019

### INTERNAL AUDIT REPORTS RECENTLY ISSUED

#### EXECUTIVE SUMMARY

1. Internal Audit reports are issued to the Audit and Governance Committee to enable the Committee to fulfil its Terms of Reference: 'To consider reports from the Head of Internal Audit...'.
2. The Audit and Governance Committee is invited to comment upon the contents of the attached Internal Audit Report:
  - Joint Review of Bank Reconciliations and General Ledger 2018-19.
  - Ethics and Culture 2018-19.
  - Joint Review of Accounts Receivable 2018-19.

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All
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<b>Cabinet Member:</b>	Councillor Steve Gallant Leader of the Council and Cabinet Member with responsibility for Resources
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<b>Supporting Officer:</b>	<p>Mrs Siobhan Martin</p> <p>Head of Internal Audit</p> <p>01394 444254</p> <p><a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a></p>
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## **1 INTRODUCTION**

- 1.1 Internal Audit reports are issued to the Audit and Governance Committee to enable the Committee to fulfil its Terms of Reference: 'To consider reports from the Head of Internal Audit...'.
- 1.2 Internal Audit Reports are independent, evidence-based documents that provide assurance on the level of governance in operation and a clear roadmap for improvement, if required.
- 1.3 The Internal Audit report attached has recently been issued to those listed on the report distribution list.

## **2 BACKGROUND**

- 2.1 Full copies of Internal Audit reports are forwarded to the Chief Executive and relevant senior officers, including the Section 151 Officer when appropriate.
- 2.2 Full reports are also sent to the relevant Portfolio Holder and all members of the Audit and Governance Committee once the reports are finalised.
- 2.3 All agreed recommendations are recorded on a database maintained by Internal Audit. This database provides the Head of Internal Audit with the mechanism to both track and follow up outstanding recommendations. Overdue recommendations which have poor governance implications are reported regularly to the Audit and Governance Committee

## **3 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?**

- 3.1 The findings within each Internal Audit Report are directly linked to good governance arrangements and practices at the Council, which underpin the Council's strategic and operational workings including the East Suffolk Business Plan.

## **4 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 4.1 Each Internal Audit report details any financial and governance implications, if applicable.
- 4.2 The Internal Audit reports presented to this Committee set out the main risks associated with the scope and objectives of that individual audit. A mechanism exists, including meetings between the Head of Internal Audit and Senior Management Team, to ensure that any remaining uncovered risks are fed back into the Audit risk model to ensure these are covered within the Strategic Audit Plan.
- 4.3 Any significant findings within individual reports will clearly state the associated risk that the Council is exposing itself to.
- 4.4 A crucial element within the Council's risk environment is the implementation of the recommendations put forward by Internal Audit and agreed by Management.

## **5 OTHER KEY ISSUES**

- 5.1 There are no known implications in relation to this report over Equality Impact Assessment, Sustainability Impact Assessment or Partnership Impact Assessment.

## 6 CONSULTATION

- 6.1 There is no requirement upon the Council in this instance. All those parties listed on each report's distribution list have received the reports.

## 7 OTHER OPTIONS CONSIDERED

- 7.1 There are no other options to be considered in the context of this report. Legal and risk implications are inherently captured in the executive summary of each Internal Audit report.

## 8 REASON FOR RECOMMENDATION

- 8.1 To ensure that this report is considered within the overall control environment operated within the Council. To enable the Audit and Governance Committee to assure itself that the coverage by Internal Audit as outlined in the Audit Plan is adequate, and to enable the Committee to endorse the recommendations in support of effective corporate governance.

### RECOMMENDATION

That the contents of the following Internal Audit Reports be commented upon:

- Joint Review of Bank Reconciliations and General Ledger 2018-19.
- Ethics and Culture 2018-19.
- Joint Review of Accounts Receivable 2018-19.

### APPENDICES

#### Appendix A

#### Audit Reports:

- Joint Review of Bank Reconciliations and General Ledger 2018-19.
- Ethics and Culture 2018-19.
- Joint Review of Accounts Receivable 2018-19.

### BACKGROUND PAPERS

Date	Type	Available From
2017	Public Sector Internal Audit Standards	Head of Internal Audit Siobhan.martin@eastsoffolk.gov.uk
Sept 2018	Internal Audit Charter	Head of Internal Audit Siobhan.martin@eastsoffolk.gov.uk



# Final Internal Audit Report

ES/0091

## Joint Review of Bank Reconciliations and General Ledger – 2018/2019

### Audit Assurance Opinion

<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
<b>Reasonable</b>	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

#### Report prepared by

Audit Manager	L Fuller
Senior Auditor	A Stapleton

#### Final Report issued by

Head of Internal Audit	S Martin
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29 May 2019

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Feeder Systems	0	0	2	Reasonable
Control Account Reconciliations	0	0	0	Effective
Bank Reconciliations	0	0	0	Effective
Journals	-	-	-	Not Assessed <sup>1</sup>
<b>OVERALL</b>				<b>Effective</b>

### 1. Executive Summary

- 1.1 The general ledger is the Councils' main accounting system and operates via the Navision accounting software. The general ledger is intended to hold a complete record of every financial transaction the Councils undertake, and provides a comprehensive statement of the Councils' financial activity. This data is used to produce the Councils' Annual Statement of Accounts, and an effective control environment is therefore of great importance.
- 1.2 The objective of the audit was to ascertain the extent to which the identified risks had been managed and to evaluate whether effective controls to mitigate the risks had been established, and had been operating effectively throughout the period under review.
- 1.3 The overall assurance of **Effective** has been made on the basis of the control framework in place and supporting risk management. Although one control area shown above has a lower level of assurance, the audit opinion takes into account all findings including those areas of positive assurance, and the overall opinion is the balance of all areas.
- 1.4 Findings that could be assessed as a corporate risk of medium or high should be reported to the Corporate Risk Group to consider for inclusion in the Corporate Risk Register, however no risks of this level were identified during this audit.
- 1.5 As part of the audit, a number of areas were found to be working well. The controls tested and found to be operating as expected are listed in Appendix B.

<sup>1</sup> Following discussion with the Chief Finance Officer during the audit, this was removed from the scope of the review in order to ensure efficient use of organisational resources during year end processes. Ernst & Young, the Council's external auditors, have confirmed their 2018/19 audit will seek to understand what journal controls are in place at a high level.

## ACTION PLAN FOR SERVICE AND OPERATIONAL RISKS

All identified control weaknesses have been risk assessed, and no potential High or Medium corporate risks were identified. The following action plan sets out control improvements relevant to the service area where the internal audit assessment using the corporate risk toolkit has concluded that the potential corporate risk is Low. The definition of each priority level is given in section 2.3 below.

1. CONTROL AREA – Feeder Systems					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
1.1	<p><u>Housing Repair Costs (HRA Account)</u></p> <p>The Tenancy Services Team provides Finance with monthly housing repairs costs to be journaled to Navision, accompanied by a detail report run from the Orchard system. Audit review of two months found that variances existed that had not been accounted for between the detail Orchard report and the journal request (£176.50 in September 2018, and £176,194.96 in January 2019). These were verbally explained by the Senior Housing Accounts &amp; Systems Administrator, although there is no evidence of queries being raised at the time.</p>	Manual adjustments to Orchard reports without supporting justification may result in errors in the Navision journals used to reflect Housing Repair costs in the HRA.	The Building Maintenance Manager will ensure that, when preparing the monthly housing repairs costs to be journaled by the Finance Team to Navision, any variances shown on the Orchard report are annotated and explained by the officer preparing the journal request.	3	<p><b>Responsibility:</b></p> <p>Building Maintenance Manager, Building Maintenance</p> <p><b>Target Date:</b></p> <p>30 June 2019</p>
1.2	<p><u>Bank (LLGEN)</u></p> <p>Daily bank files imported into Navision's cash management modules are managed within Accountancy using control sheet spreadsheets. The control sheet for the LLGEN bank account has not been completed consistently during 2018/19. Although the absent control process has reduced the assurance Internal Audit can provide over this period, no adverse consequences were seen by Internal Audit over the course of this review.</p>	Errors or delays in the bank file import process may not be accurately documented or accounted for.	<p>The Senior Sales and Receivables Officer had identified the need to use a control sheet prior to the Internal Audit review and has confirmed that a control sheet for LLGEN will be operating for 2019/20 onwards.</p> <p>Internal Audit has verified that a control sheet is now in place.</p>	3	<p><b>Responsibility:</b></p> <p>Purchasing and Payables Manager</p> <p><b>Target Date:</b></p> <p>Completed</p>

## 2. CONTROL AREA – Control Account Reconciliations

REC No.	RISKS AND IMPLICATIONS	FINDING	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
---------	------------------------	---------	---------------	----------	-------------------

Testing results were satisfactory, with no service-level reportable findings relevant to this Control Area identified.

## 3. CONTROL AREA – Bank Reconciliations

REC No.	RISKS AND IMPLICATIONS	FINDING	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
---------	------------------------	---------	---------------	----------	-------------------

Monthly bank reconciliation was found to be satisfactory, with no service-level reportable findings relevant to this Control Area identified.

## 4. CONTROL AREA - Journals

REC No.	RISKS AND IMPLICATIONS	FINDING	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
---------	------------------------	---------	---------------	----------	-------------------

In order to ensure efficient use of organisational resources during year end processes, this Control Area was removed from scope.

## **2. Audit Framework**

### **2.1 Links to Council Service Delivery**

This review considered achievement of the organisations strategic objectives and risks, specifically this audit contributes towards:

- East Suffolk Business Plan – Financial self-sufficiency
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy including delivery of balanced Annual Budget

### **2.2 Scope of Internal Audit Activity**

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity for making significant improvements to governance arrangements, risk management and control processes.

Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2016) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter.

This report is being issued by East Suffolk Council, however, it relates to the activities of Suffolk Coastal District Council (SCDC) and Waveney District Council (WDC) in 2018/2019. This audit has been undertaken as part of the Annual Audit Plan 2018/19, approved by the Audit and Governance Committees of Suffolk Coastal District Council (7<sup>th</sup> March 2018) and Waveney District Council (15<sup>th</sup> March 2018).

The scope of the audit was to examine the key controls in place from April 2018 to February 2019 over:

- Bank Reconciliations (including daily reconciliations)
- Feeder System/Control Account Reconciliations (for those not already reviewed within other audits)
- Journals.

Due to the timing of this audit and the need for Finance staff to focus on year end processes and preparing a Statement of Accounts, this audit provides a high-level assessment of the key financial controls within scope. Following discussion with the Chief Finance Officer over availability of Finance staff, testing on Journals was removed from the scope of this audit.

Assurance for 2018/19 Control Account Reconciliations not tested here is available in the following audit reports:

- Joint Review of Accounts Payable 2018/19
- Joint Review of Accounts Receivable 2018/19

- Council Tax and Overpayments 2018/19
- Housing Benefits and Council Tax Support 2018/19
- National Non-Domestic Rates 2018/19

## 2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council's Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

<b>Priority 1</b>	Findings indicate a significant control weakness or high level of risk that objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.
<b>Priority 2</b>	Findings indicate an important control weakness with a medium or high level of risk that service objectives may not be met. Prompt management attention is required.
<b>Priority 3</b>	Findings indicate a control weakness with a low or medium level of risk that service objectives may not be met. Management attention is required.
<b>Priority 4</b>	Findings indicate a minor control weakness with a low level of risk that, although not essential to an effective control framework, would benefit from low-cost improvements. Any low priority issues identified during the course of this audit have been reported to the relevant Service team prior to the issue of this report, and are available from the Internal Audit team upon request.

## 2.4 Acknowledgements

We would like to thank the management and staff of the service areas contacted for their co-operation and time during the course of this audit.

## APPENDIX A: Report Distribution

### Draft & Final Report

Chief Finance Officer and Section 151 Officer	S Taylor
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### Final Report

Leader of the Council and Cabinet Member for Resources	Cllr S Gallant
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Audit and Governance Committee

Strategic Management Team

Ernst & Young	T Poynton
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## APPENDIX B: Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

### Daily Bank Import

- All daily bank imports tested were found to have been completed accurately, completely and in a timely manner.

### Feeder Systems

- Income: Data in Navision (CARDCAPITA and CARDCIVICA accounts) agreed to the supporting documentation from the income systems and the control spreadsheet for the samples reviewed. Differences identified had a satisfactory explanation.
- Housing Repairs journals were completed and reviewed by appropriate officers.

### Control Account Reconciliations

- Housing Rents: The two 2018/2019 monthly reconciliations reviewed agreed to Navision and Orchard, were completed and reviewed by appropriate officers.

### Bank Reconciliations

- Monthly bank reconciliations tested were completed and reviewed by appropriate staff, and agreed to the supporting documentation.

## Audit Assurance Opinion

<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
<b>Reasonable</b>	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

### Report prepared by

Audit Manager	L Fuller
Senior Auditor	M Emmens
Auditor	S Potter

### Report issued by

Head of Internal Audit	S Martin
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7 June 2019

## 1. Audit Findings

The overall assurance of **Effective** has been made on the basis of the control framework in place and supporting risk management.

Testing confirmed that the Council has an ethical governance framework in place, and as such no recommendations have been raised. This review did not test if staff are abiding by these arrangements.

Positive findings for each area of the scope of this review have been detailed below.

### 1.1 Ethical and Cultural Codes and Policies

1.1.1 There are a number of codes and policies available to staff which contain ethical statements and procedures which were found to be clear and understandable. The majority of staff questioned as part of this review were aware of these policies and were able to find them on FRED. These policies have been updated as part of the formation of East Suffolk Council.

1.1.2 Staff interviewed confirmed they had read and understood these policies, but they would like regular reminders to refresh their knowledge of these policies.

### 1.2 Ethical and Cultural Responsibilities and Monitoring Arrangements

1.2.1 There are various officers within the Council who staff can report ethical issues to, all staff questioned were aware who they would report any issues to.

1.2.2 Staff are made aware of what is and is not expected of them through a variety of methods such as courses, e-learning and policies and procedures.

1.2.3 Of the staff sampled, Disclosure and Barring Service (DBS) checks were completed where required, and references were received which confirmed the candidates' suitability for the role and that they were trustworthy.

1.2.4 Contract Procedure Rules and the contract template include guidance on accepting gifts, bribes and declaring interests.

1.2.5 Honorary payments reviewed had a request for resources form completed which had been authorised by Senior Management Team. Note – this review did not check honorary payments for suitability / fairness of award.

1.2.6 NFI (National Fraud Initiative) data matching reviews the appropriateness of payments made to staff via the Navision financial system.

1.2.7 There is a process in place to assess the ethical conduct of suppliers.

### **1.3 Ethical and Cultural Reporting**

1.3.1 There are various ways for staff to report non compliance with Council codes and policies all of which are available to staff.

1.3.2 The accuracy of ethical and cultural reporting was outscoped from this review, and testing focussed on the process in place.

### **1.4 2018/2019 Staff Survey**

1.4.1 A high percentage of staff who responded to the staff survey agreed that the Chief Executive, Directors, Heads of Service and their line manager actively demonstrate the corporate values.

## APPENDIX A: Scope and Objective of Review

Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2016) and Local Government Application Note (2013). This report has been prepared in accordance with our Audit Charter.

This report is being issued by East Suffolk Council, however, it relates to the activities of Suffolk Coastal District Council (SCDC) and Waveney District Council (WDC) in 2018/2019. This audit has been undertaken as part of the Annual Audit Plan 2018/19, approved by the Audit and Governance Committees of SCDC (7<sup>th</sup> March 2018) and WDC (15<sup>th</sup> March 2018).

This review considered achievement of the organisations strategic objectives and risks, specifically this audit contributes towards:

- East Suffolk Business Plan – Resources, delivering a more business like approach, directing resources to support the delivery of key services, while providing the best possible quality and performance;
- Corporate Risk Register –Failure to promote and maintain Ethical Standards.

The objective of the audit was to ascertain the extent to which identified risks have been managed and to evaluate whether effective controls to mitigate the risks have been established, and have been operating effectively throughout the period under review.

The scope of the audit was:

- Review relevant ethical and cultural codes and policies to establish if up to date;
- Determine ethical and culture responsibilities and establish what monitoring / measuring arrangements are in place;
- Establish if and how ethical and cultural arrangement are reported upon and ascertain if reporting is accurate (the accuracy of ethical reporting was out-scoped from this review);
- The 2018/2019 staff survey will include a question regarding ethical behaviour and the results of which will be incorporated in this audit.

## APPENDIX B: Report Distribution

### Draft & Final Report

Chief Executive	S Baker
Head of Legal and Democratic Services	H Slater
HR and Workforce Development Manager	C Lower

### Final Report

Leader of the Council and Cabinet Member for Resources	CLlr S Gallant
Audit and Governance Committee	
Strategic Management Team	
Interim Chief Finance Officer and Section 151 Officer	S Taylor
Ernst & Young	T Poynton



# Final Internal Audit Report

ES/0091

## Joint Review of Accounts Receivable 2018/2019

### Audit Assurance Opinion

<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
<b>Reasonable</b>	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Ineffective</b>	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

#### Report prepared by

Audit Manager	L Fuller
Senior Auditor	M Emmens

#### Report issued by

Head of Internal Audit	S Martin
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29 May 2019

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Raising and Adjustment of Invoices	0	0	0	Effective
Write Offs	0	0	0	Effective
Income Allocation	0	0	0	Effective
Management of Unpaid Debts	0	0	0	Effective
Reconciliations	0	0	0	Effective
<b>OVERALL</b>				<b>Effective</b>

### 1. Executive Summary

- 1.1 The objective of the audit was to ascertain the extent to which identified risks have been managed and to evaluate whether effective controls to mitigate the risks have been established and operating effectively throughout the period under review.
- 1.2 The Suffolk Coastal and Waveney District Councils' (SCDC and WDC respectively) Payables and Receivables team are responsible for the collection of all invoiced income outside the main income streams of council tax, business rates and housing benefits overpayments. As at 11<sup>th</sup> March 2019, SCDC had raised 4,444 sales invoices totalling £9.8m for 2018/19 of which £3.1m remains outstanding. WDC had raised 4,281 sales invoices totalling £7m for 2018/19 of which £1.3m remains outstanding. Testing during this audit has confirmed that there are satisfactory arrangements in place to recover and monitor outstanding sundry debts.
- 1.3 The overall assurance of **Effective** has been made on the basis of the control framework in place and supporting risk management.
- 1.4 Within the 2017/2018 Internal Audit review discrepancies were identified between the delegated approvals paperwork and the delegated approval limits set within the Navision Financial System. An audit action was raised to rectify these discrepancies, which was implemented in July 2018.
- 1.5 As part of the audit, a number of areas were found to be working well. The controls tested and found to be operating as expected are listed in Appendix B.

## Follow-up of Previous Audit Actions

This section assessed progress against actions that were due at the point of audit testing. These actions do not form part of the above action plan, but were part of the audit scope and therefore have been taken into account when forming the audit assurance opinion.

REC No.	RISKS AND IMPLICATIONS	FINDING	CURRENT STATUS	PRIORITY	MANAGEMENT ACTION
<b>Review of Accounts Receivable 2017/2018</b>					
1	<p><b>Risk:</b> Navision approval may not be appropriate if not supported by written delegated authority, increasing the risk of invalid transactions created through fraud or error, or financial irregularities.</p>	<p><b>Original Finding:</b> Comparison between Navision access and Delegated Financial Authority paperwork for sampled authorisers identified some discrepancies between delegated approval paperwork and the Navision Financial system:</p> <p><b>Original Agreed Action:</b> A significant number of authorisation forms are legacy and the form itself has taken many formats with the two councils, and later shared service variations. It is therefore not always clear when reviewing the historical forms of the intentions.</p> <p>Following similar remarks in the Payables audit Financial Services has already agreed to ensure all officers authorisation forms are renewed prior to moving to the 'One Council' system</p>	<p><b>Target Date:</b> 31<sup>st</sup> January 2019</p> <p><b>Status Details:</b> In July 2018 the delegated approval paperwork and Navision Financial system were reviewed and any discrepancies identified were rectified. Testing performed as part of this audit did not identify any discrepancies between the delegated approval paperwork and Navision Financial system after July 2018.</p>	<p><b>Medium</b> <b>(Priority 3)</b></p>	<p><b>Action Update:</b> Action signed off as complete following the 2018/2019 Internal Audit Review.</p>

## **2. Audit Framework**

### **2.1 Links to Council Service Delivery**

This review considered achievement of the organisations strategic objectives and risks, specifically this audit contributes towards:

- East Suffolk Business Plan – Financial Self-Sufficiency
- Corporate Risk Register – Failure of Financial Governance / Failure to deliver balanced Annual Budget / Failure to fully embed Ethical Standards / Failure of Internal Controls

### **2.2 Scope of Internal Audit Activity**

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity for making significant improvements to governance arrangements, risk management and control processes.

Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2016) and Local Government Application Note (2013). This report has been prepared in accordance with our Audit Charter.

This report is being issued by East Suffolk Council, however, it relates to the activities of Suffolk Coastal District Council (SCDC) and Waveney District Council (WDC) in 2018/2019. This audit has been undertaken as part of the Annual Audit Plan 2018/19, approved by the Audit and Governance Committees of SCDC (7<sup>th</sup> March 2018) and WDC (15<sup>th</sup> March 2018).

The scope of the audit was to examine the key controls in place from April 2018 to December 2018 over:

- Raising and adjustment of invoices
- Write offs
- Income allocation
- Management of unpaid debts
- Reconciliations

### **2.3 Definitions of Risk and Control**

This audit uses the definition of Risk set out in the Council's Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

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## APPENDIX A: Report Distribution

### Draft & Final Report

Payables and Receivables Manager	M Wood
Chief Finance Officer and Section 151 Officer	S Taylor

### Final Report

Leader of the Council and Cabinet Member for Resources	Cllr S Gallant
Audit and Governance Committee	
Strategic Management Team	
Ernst & Young	T Poynton

## APPENDIX B: Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- Debtor accounts were found to be complete and display the customers' full details.
- The VAT rates are reviewed and corrected where wrong.
- Credit notes raised were found to be appropriate and the correct action had taken place following the credit.
- Where appropriate debt recovery methods had been exhausted prior to debts due to the Councils being written off.
- The correct recovery route is followed to recover debts due to the Councils.
- Controls are built in to the Navision system to ensure that invoices and credit notes are complete prior to them being posted to the ledger.
- Aged debt statistics are reported as part of the quarterly performance report.
- Reconciliations between the Accounts Receivable system and General Ledger control account were found to be completed accurately and timely.
- Aged debt reporting forms part of the Councils' Quarterly Performance Monitoring Report.