



**East Suffolk House, Riduna Park, Station  
Road, Melton, Woodbridge, IP12 1RT**

# **Audit and Governance Committee**

## **Members:**

Councillor Geoff Lynch (Chairman)  
Councillor Edward Back (Vice-Chairman)  
Councillor Judy Cloke  
Councillor Tony Cooper  
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 on **Monday, 29 June 2020 at 6.30pm**

This meeting will be conducted remotely, pursuant to the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

The meeting will be facilitated using the Zoom video conferencing system and broadcast via the East Suffolk Council YouTube channel  
at <https://youtu.be/3eHLzLlloIM>.

An Agenda is set out below.

**Part One – Open to the Public**

<b>1</b>	<b>Apologies for Absence and Substitutions</b>	
<b>2</b>	<b>Declarations of Interest</b> 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.	
<b>3</b>	<b>Minutes</b> To confirm as a correct record the Minutes of the Meeting held on 2 March 2020.	<b>1 - 3</b>
<b>4</b>	<b>Local Government Association National Code of Conduct ES/0421</b> Report of the Leader of the Council	<b>4 - 12</b>
<b>5</b>	<b>Annual Internal Audit Report 2019-20 ES/0415</b> Report of the Cabinet Member with responsibility for Resources	<b>13 - 27</b>
<b>6</b>	<b>Annual Internal Audit Plan 2020-21 ES/0414</b> Report of the Cabinet Member with responsibility for Resources	<b>28 - 31</b>
<b>7</b>	<b>Corporate Fraud Annual Report 2019-20 ES/0416</b> Report of the Cabinet Member with responsibility for Housing and the Cabinet Member with responsibility for Resources	<b>32 - 40</b>
<b>8</b>	<b>Corporate Anti-Fraud Business Plan 2020-21 ES/0417</b> Report of the Cabinet Member with responsibility for Resources	<b>41 - 54</b>
<b>9</b>	<b>Internal Audit Reports Recently Issued (Open) ES/0418</b> Report of the Cabinet Member with responsibility for Resources	<b>55 - 71</b>
<b>10</b>	<b>Audit and Governance Committee's Forward Work Programme</b> To consider the Committee's Forward Work Programme	
<b>11</b>	<b>Exempt/Confidential Items</b> It is recommended that under Section 100A(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

## 12 Exempt Minutes

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

## 13 Internal Audit: Data Protection Annual Report 2019-20 (Exempt)

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

## 14 Internal Audit Reports Recently Issued (Exempt)

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

Close



Stephen Baker, Chief Executive

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Minutes of a Meeting of the **Audit and Governance Committee** held in the Deben Conference Room, East Suffolk House, Melton on **Monday, 2 March 2020 at 6.30pm**

**Members of the Committee present:**

Councillor Edward Back, Councillor Judy Cloke, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Geoff Lynch, Councillor Chris Mapey, Councillor Rachel Smith-Lyte, Councillor Ed Thompson

**Other Members present:**

Councillor Maurice Cook

**Officers present:**

Sarah Davis (Democratic Services Officer) and Siobhan Martin (Head of Internal Audit)

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**1 Apologies for Absence and Substitutions**

No apologies for absence were received.

**2 Declarations of Interest**

There were no declarations of interest.

**3 Minutes**

That the Minutes of the Meeting held on 6 January 2020 be confirmed as a correct record and signed by the Chairman.

**4 Item for Information - Rent Arrears**

The Committee noted the Item for Information in relation to rent arrears. The Cabinet Member with responsibility for Resources stated that he was pleased with the progress, pointing out that it reflected the efforts of the Anglia Revenues Partnership (ARP) to improve working practices and was also due to the change to the tolerance treatment level of Universal Credit claimants before an automatic reassessment was required which impacted on payments. He added that the new software that had been invested in was also clearly doing its job.

The Chairman suggested that the Committee receive a further update for information in six months to ensure the arrears were continuing to go in the right direction. The Cabinet Member stated that the next ARP meeting was at the end of March 2020 so he would know more after that. He added that the ARP was also bringing in Consultants to review working practices.

Clarification was sought on whether there was still a five week wait for claims to be processed as some claimants were getting into debt whilst they waited. The Cabinet Member responded that he did not know but suggested that the Member contact ARP directly. It was noted that a Member Training/Briefing Session on the ARP and Universal Credit was currently being arranged.

**RESOLVED**

That the information relating to the current position on rent arrears be noted and Officers be asked to provide another item for information on this in approximately six months' time.

**5 Audit and Governance Committee's Work Programme**

The Audit and Governance Committee received and reviewed their Work Programme for the remainder of the 2019/2020 Municipal Year. The Chairman referred to the decisions made during the meeting and it was agreed that the Work Programme would be updated accordingly. Members also noted that the Head of Legal and Democratic Services had requested that a report on Standards be added on to the Work Programme for the 30 March 2020 meeting.

**RESOLVED**

That the Committee's Work Programme be updated in accordance with the decisions made at the meeting and the Head of Legal and Democratic Services' report on Standards be added.

**6 Exempt/Confidential Items**

**RESOLVED**

That under Section 100A(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.

**7 Exempt Minutes**

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

**8 Internal Audit: Data Protection Status Update**

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

**9 Public Sector Internal Audit Standards (PSIAS) Compliance - External Assessment**

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

#### **10 Internal Audit Reports Recently Issued**

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

The meeting concluded at 7.30pm.

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Chairman



## AUDIT & GOVERNANCE COMMITTEE

Monday 29 June 2020

### LOCAL GOVERNMENT ASSOCIATION (LGA) NATIONAL CODE OF CONDUCT

#### EXECUTIVE SUMMARY

1. As part of the Localism Agenda, the Government made changes to the standards regime for local government, when they introduced the Localism Act in 2011 (the Act). Under the Act, this Council has a duty to promote and maintain high standards of conduct. The Act also said that each council had to have a Code of Conduct, but it was at each Council's discretion as to the contents. In Suffolk, all councils adopted the Suffolk Local Code of Conduct (the Code).
2. The Committee on Standards in Public Life (CSPL) reviewed ethical standards in local government in 2018/19. The CSPL produced a report on their review, in January 2019, which made 26 recommendations to Government. The first recommendation was that the LGA produce a national, Model Code of Conduct (the Model Code).
3. The LGA have now published a Model Code and are consulting on it, from 8 June 2020 to 17 August 2020. They have produced a questionnaire for Members and Officers to respond to, about the Model Code.
4. This Committee has a remit in its Terms of Reference to deal with standards matters. Also, the Code is part of the Council's Constitution. Any changes to the Code would need to be considered by this Committee and recommended to Council for adoption.
5. The purpose of this report is to consider the Model Code and invite the Committee to comment on it.

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
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<b>Supporting Officer:</b>	Hilary Slater Head of Legal & Democratic Services & Monitoring Officer 01394 444336 <a href="mailto:Hilary.slater@eastsuffolk.gov.uk">Hilary.slater@eastsuffolk.gov.uk</a>
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# 1 INTRODUCTION

- 1.1 The LGA has provided a Model Member Code of Conduct (Model Code), for consultation. It can be found at this link:

<http://www.local.gov.uk/sites/default/files/documents/LGA%20Model%20Member%20Code%20of%20Conduct.pdf>

The Model Code has been produced by the LGA as part of its support for high standards of behaviour and performance in local government.

- 1.2 Under s27 of the Localism Act 2011 (the Act), the Council has a duty to promote and maintain high standards of behaviour by Members and co-opted Members of the authority. Each local authority must publish a code of conduct but has discretion as to the contents of their code. It must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any councillors who breach the Code. Under the Act, these sanctions cannot include suspension or disqualification from office, for example, but may include censuring the councillor found to be in breach, or requesting that they undertake training, mediation, or issue an apology for their behaviour.

- 1.3 Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence under the Act.

- 1.4 In 2012, all Councils adopted the Suffolk Local Code of Conduct (the Code), so that all tiers of local government were operating under the same code. The Code was similar to the national code of conduct that had existed, prior to 2012. A link to the Code is here;

<https://www.eastsuffolk.gov.uk/assets/Your-Council/Councillors/SuffolkLocalCodeofConduct.pdf>

- 1.5 In 2018/19, the Committee on Standards in Public Life (CSPL) reviewed ethical standards in local government. In January 2019, they published a report of their review, and made 26 recommendations to Government about how the regime might be changed. The recommendations were reported to the Audit and Governance Committee on 7 February 2019 (Rep1900 and Rep1919). The first of the CSPL's recommendations was for there to be a return to a national, model code. The CSPL report can be read via the link below.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/777315/6.4896\\_CO\\_CSPL\\_Command\\_Paper\\_on\\_Local\\_Government\\_Standards\\_v4\\_WEB.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/777315/6.4896_CO_CSPL_Command_Paper_on_Local_Government_Standards_v4_WEB.PDF)

To date, due to Brexit and now, the COVID-19 pandemic, the Government has not responded to the CSPL's report. Meanwhile, the LGA was committed to producing the Model Code, as recommended by the CSPL's report.

- 1.6 The LGA held an event on Civility in Public Life with a range of stakeholders at the end of last year and three consultation workshops at the beginning of this year. They engaged consultants to examine examples of good practice, both in local government and other professions, and to draft the Model Code.

- 1.7 The Model Code is the result of this work. The LGA intend to create additional guidance, working examples and explanatory text, to go with it. Note that some of the changes proposed in the Model Code will require a change to the Act. For example, it is not possible

under the Act to impose sanctions on those found to have breached their code of conduct. For sanctions to be imposed, such as suspension from office for those found in breach, the Act will need to be changed.

- 1.8 A summary of what is in the Model Code is set out in the Appendix A to this report. The LGA consultation on the Model Code runs for 10 weeks from Monday 8 June until Monday 17 August. There is an online consultation questionnaire for both Members and Officers to complete. It consists of 17 questions about the Model Code. The LGA are also happy to receive written responses from councils or stakeholder groups via email at [ModelCode@local.gov.uk](mailto:ModelCode@local.gov.uk). This email address can also be used if there are any questions regarding the consultation and/Model Code. Details about the consultation can be found here: <http://www.local.gov.uk/code-conduct-consultation-2020>
- 1.9 The LGA will also be holding a number of webinars on the draft code, over the summer. The details of these webinars will be on the LGA's events page on their website. The feedback from the consultation will help the LGA develop a final draft, which will be reviewed by the LGA's Executive Advisory Board before being presented to the next LGA General Assembly, which they hope will be held in the Autumn of 2020.
- 1.10 Given its remit to look at standards issues, the Committee is asked to comment on the Model Code. It is intended that Cabinet be asked to comment on the Model Code, and, therefore, the views of this Committee can be included in a report to Cabinet on 7 July 2020. Members can also make individual responses, directly to the LGA via the questionnaire-see the links above.

## **2 HOW THE CODE DIFFERS FROM THE MODEL CODE**

- 2.1 The Act requires the Council to have a code, but the contents are a matter for the Council to decide upon. The Model Code marks a return to a national code which all Councils would be bound by, if the Act were changed to say that Councils no longer had discretion as to what was in their Code, and had to adopt the Model Code. A national code gives consistency and certainty, in terms of standards of behaviour for all councillors.
- 2.2 The Code applies when councillors or co-opted Members carry out Council business. It does not apply to actions or behaviour carried out privately, when a person is acting in an individual capacity. The Model Code would apply when councillors are acting as councillors, identifying as councillors or giving the impression of acting as a councillor. It also applies to all forms of Members' communications including social media when acting as a councillor or there are implications for the Council's reputation. So, the application of the Model Code is wider than the Code. Also, the Model Code provides clarity and certainty in terms of social media. With an increased use of social media, it is often uncertain, under the Code, whether or not a councillor is posting as a councillor, or as a private individual. Given new ways of working, such as having remote meetings, and the increased use of electronic communications, particularly during the COVID-19 pandemic, the LGA is interested to know if the Model Code's wider ambit is helpful.
- 2.3 The Code requires that councillors are not disrespectful to others. The Model Code focusses on the idea of showing "civility", or politeness and courtesy. What amounts to civility or disrespect can be dependent on the facts and requires a subjective judgement to decide. It is suggested, however, that criticising ideas and opinions is acceptable, but making personal or abusive comment would be showing a lack of civility.
- 2.4 The Code and the Model Code are very similar, in relation to the obligations in the Model Code numbered 3-10 in paragraph 6 of Appendix A to this report. However, the Code says

that councillors have to declare gifts or hospitality which they receive (that is, accept) which are worth £25 or over in value. The Model Code says that councillors should not accept “significant” gifts or hospitality which they are offered from those looking to do business with the Council, or those submitting applications for licenses, consents or permissions. The Model Code is clearer in this respect. However, the threshold for Councillors having to declare the receipt of gifts and hospitality remains at £25 in the Model Code, as in the Code.

- 2.5 Also, in terms of the declaration of interests, currently, under the Act, Members have to declare their own disclosable pecuniary interests (DPIs) and those of their spouse or partner. The requirement to declare DPIs is set out in the Act. The LGA have proposed that Members would need to declare their DPIs and those of “family members and associates”. A change to the legislation would be required to allow for this wider application. However, it is the case that if Members are considering planning or licensing applications, for example, submitted by family members other than their spouse or partner, strictly, they do not have a DPI in that item of business. Yet, clearly, they have a conflict of interest and would be likely to be advised not to take part in that item of business. The widening of the definition of DPIs would mark a return to the wording which was found in the pre-2012, national code and is clearer and more certain in application for the public, Members, and Officers who might have to give advice.

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

- 3.1 Good governance underpins all of the five themes in the Council’s Strategic Plan. How Members conduct themselves is key to how the Council conducts its business, and to how Members, Officers and the public inter-relate. High standards of conduct foster good decision making, and good public relations, which in turn, enables our communities to have confidence in the Council. It also ensures that the systems, processes and practices of the Council are sound, and operated in a manner which is consistent with the expectations and obligations in the Code and the Model Code.

### **4 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 4.1 The Model Code is a draft document that is being consulted on at the moment. There are no direct costs associated with this consultation exercise for this Council. However, the Council does have a duty to promote and maintain high standards of behaviour and conduct. It would seem appropriate and expected, therefore, that the Council might wish to comment on a national consultation, and to have its say on an important element in the Council’s governance framework.

### **5 OTHER KEY ISSUES**

- 5.1 None

### **6 CONSULTATION**

- 6.1 None, as this report is about a consultation being undertaken by a third party, that is the LGA.

### **7 OTHER OPTIONS CONSIDERED**

- 7.1 Not to comment on the Model Code. However, this option would deny the Council the opportunity to comment on national proposals and to influence the outcome of a major aspect of the Council’s governance framework.

## **8 REASON FOR RECOMMENDATION**

- 8.1 To comment on a national consultation about a significant proposal for change to the Council's governance framework.

### **RECOMMENDATIONS**

That having considered this report, the Code, the Model Code, and the differences between the two, the Committee makes comments on the Model Code which can be considered by Cabinet and submitted to the LGA as a response to their consultation.

### **APPENDICES**

#### **Appendix A**

What is in the Model Code?

### **BACKGROUND PAPERS - NONE**

## WHAT IS IN THE MODEL CODE?

1. The purpose of the Model Code is to assist councillors in setting the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect councillors, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all members and places 12 obligations on Members which are actionable if a councillor breaches them. The overarching aim is to create and maintain public confidence in the role of Members and local government.
2. The Model Code will apply when councillors are acting, or claiming, or giving the impression, that they are acting in public or in their capacity as a member or representative of their council, although councillors are expected to uphold high standards of conduct and show leadership at all times. The Model Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and social media, including where councillors could be deemed to be representing their council or if there are potential implications for the council's reputation.
3. The seven principles of public life apply to everyone in public office at all levels – ministers, civil servants, members, council officers – all who serve the public or deliver public services should uphold the seven principles of public life. The Model Code has been developed in line with these seven principles, which are set out in appendix A to it.
4. The expectations set out in the Model Code state that members will conduct themselves in accordance with the public trust placed in them, and on all occasions will:
  - act with integrity and honesty
  - act lawfully
  - treat all persons with civility; and
  - lead by example and act in a way that secures public confidence

In undertaking their role, they will:

- impartially exercise their responsibilities in the interests of the local community
  - not improperly seek to confer an advantage, or disadvantage, on any person
  - avoid conflicts of interest
  - exercise reasonable care and diligence; and
  - ensure that public resources are used prudently and in the public interest
5. There are 12 specific obligations of general conduct which set out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where councillors act or claim or give the impression that they are acting as a councillor or in public, including representing their council on official business and when using social media.

6. The 12 specific obligations are listed below.

- (1) Treating other councillors and members of the public with civility.
- (2) Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play. Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, it is acceptable to express one's views, to challenge, criticise and disagree with others' ideas, opinions and policies, in a civil manner. But subjecting individuals, groups of people or organisations to unreasonable or excessive personal attack is not acceptable or civil.

In contact with the public, councillors should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return, councillors have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory, councillors are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police.

- (3) Not to bully or harass any person. Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.

The Equality Act 2010 defines harassment as 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

- (4) Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council. Officers work for the council as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although it is acceptable to question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, councillors must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.
- (5) Not disclosing information given to a councillor in confidence or disclosing information acquired by a councillor which the councillor believes is of a confidential nature, unless the councillor has received the consent of a person authorised to give it or the council is required by law to do so.
- (6) Not preventing anyone getting information that they are entitled to by law. Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public except in certain circumstances. Councillors should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the council are treated in a

confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

- (7) Councillors must not bring their role or council into disrepute. Behaviour that is considered dishonest and/or deceitful can bring the council into disrepute. As a member, there is an expectation that they are entrusted to make decisions on behalf of their community and their actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. Councillors should be aware that their actions might have an adverse impact on other councillors and/or their council.
- (8) Not using, or attempting to use, your position improperly to the advantage or disadvantage yourself or anyone else. The position as a member of the council provides Members with certain opportunities, responsibilities and privileges. However, councillors should not take advantage of these opportunities to further private interests.
- (9) Not misusing council resources. Councillors may be provided with resources and facilities by the council to assist in carrying out their duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given to help carry out the role as a councillor more effectively and not to benefit councillors personally.
- (10) Councillors must register and declare interests. They need to register their interests so that the public, council employees and fellow members know which of their interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests councillors have, and whether they might give rise to a possible conflict of interest. The register also protects councillors who are responsible for deciding whether or not they should declare an interest in a meeting, but it can be helpful for them to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. More details about registering and declaring interests is set out in appendix B to the Model Code.

- (11) There are provisions about not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.
- (12) Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt. Members should exercise caution in accepting any gifts or hospitality which are (or which they reasonably believe to be) offered to them because they are a member. However, councillors do not need to register gifts and hospitality which are not related to their role as a member, such as Christmas gifts from their friends and family, or gifts which they do not accept. However, councillors you may wish to notify their monitoring officer of any significant gifts which they are offered but refuse and which they think may have been offered to influence them.



## AUDIT & GOVERNANCE COMMITTEE

Monday, 29 June 2020

### ANNUAL INTERNAL AUDIT REPORT 2019-20

#### EXECUTIVE SUMMARY

1. The Annual Internal Audit Report 2019/20 (Appendix A) details the work undertaken by the Internal Audit Service for the year 2019/20 in accordance with the plan for the year presented to both Suffolk Coastal and Waveney District Councils in March 2019.
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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Wards Affected:	All
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Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources
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Supporting Officer:	Name: Mrs Siobhan Martin Job Title: Head of Internal Audit Telephone: 01394 444254 Email: <a href="mailto:siobhan.martin@eastssuffolk.gov.uk">siobhan.martin@eastssuffolk.gov.uk</a>
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## **1 INTRODUCTION**

- 1.1 This Annual Report provides the Committee with an overview of the Internal Audit Service for 2019/20, in accordance with the Public Sector Internal Audit Standards 2013 (Amended 2016 and 2017) (PSIAS).

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

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

## **3 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 3.1 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.
- 3.2 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.
- 3.3 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.'
- 3.4 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.

## **4 CONSULTATION**

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

## **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.

### **RECOMMENDATION**

That the Audit and Governance Committee comment upon the outputs of the Internal Audit Service and the Head of Internal Audit's Opinion for 2019/20, as set out in Appendix A to the report.

### **APPENDICES**

#### **Appendix A**

Annual Audit Report 2019/20 & Head of Internal Audit Opinion 2019/20

**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 2019	Annual Internal Audit Plan 2019/20	Head of Internal Audit
Sept 2019	Revised Internal Audit Plan 2019/20	
2019/20	Internal Audit Reports	
April 2017	Public Sector Internal Audit Standards	

## Appendix A:

### Annual Audit Report 2019/20

<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.

## 1. HEAD OF INTERNAL AUDIT'S OPINION ON THE COUNCIL'S CONTROL ENVIRONMENT 2019/20

- 1.1 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 year to 31 March 2020.
- 1.2 One important piece of work is currently still being undertaken – Procurement (including a Contract Management follow up review). The results of this work will be communicated to Audit and Governance Committee in a future meeting.
- 1.3 The Head of Internal Audit has performed her duties in accordance with CIPFA's guidance on the Role of the Head of Internal Audit. In giving the audit opinion, it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.

## 2. CORONAVIRUS PANDEMIC

- 2.1 My opinion is based upon the internal audit work undertaken, and completed, prior to emergency measures being implemented because of the Coronavirus Pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops.
- 2.2 Internal Audit will undertake risk assessments to identify and assess any changes to the Council's control environment. This will be followed up with a focussed risk-based plan of control and governance tests in due course, given the Council's emergency response to the Coronavirus Pandemic. Examples include democratic decisions, statutory responsibilities, financial systems / processes, and procurement practices. Internal Audit will provide advice and assurance to services on any changes and perform post event assessments.

.....

Siobhan Martin  
Head of Internal Audit  
East Suffolk Council

21 May 2020

### **3. RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDITORS IN RELATION TO INTERNAL CONTROL**

- 3.1 It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Head of Internal Audit to provide an annual overall assessment of the robustness of the internal control system. The internal auditor cannot be expected to give total assurance that control weaknesses or irregularities do not exist.

### **4. SOUND INTERNAL CONTROLS**

- 4.1 The main objectives of the Council's internal control systems are:
- To ensure adherence to management policies and directives to achieve the Council's objectives;
  - To safeguard assets and protect the interests of the Council;
  - To secure the relevance, reliability, and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
  - To ensure compliance with statutory requirements.
- 4.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.
- 4.3 A sound system of internal control therefore provides reasonable, but not absolute, assurance that the Council will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. A system of internal control cannot, however, provide protection with certainty against any organisation failing to meet its objectives or all material errors, losses, fraud, or breaches of laws or regulations.

### **5. THE WORK OF INTERNAL AUDIT**

- 5.1 Internal Audit is an independent appraisal function of the Council. It objectively examines, evaluates, and reports on the adequacy of internal control and governance as a contribution to the proper, economic, efficient, and effective use of resources.
- 5.2 The Internal Audit Service operates in accordance with the Accounts and Audit Regulations (2015), Public Sector Internal Audit Standards and Local Government Application Note (2019), the Audit Charter and professional bodies' Codes of Ethics. The service undertakes a strategic risk based annual programme of work approved by the Audit and Governance Committee.

The strategic audit plan is amended throughout the year to reflect evolving risks and changes within the Council.

- 5.3 All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports. The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not acting. Significant matters arising from internal audit work are reported to the Chief Executive and the Audit and Governance Committee.

## **6. PURPOSE AND BACKGROUND**

- 6.1 The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2015 which require 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'.
- 6.2 The Chartered Institute of Public Finance and Accountancy's (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, and responsibility via the Internal Audit Charter.
- 6.3 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.

## **7. PERFORMANCE/OUTTURN FOR 2019/20**

- 7.1 The table below demonstrates the spread of work that has been completed during 2019/20 and their status.

Type of audit	2019/20 Revised Audit Plan (Total)	2019/20 additions (Total)	Completed (Assurance Opinion Report) <sup>1</sup>	Completed (Non-Opinion Report or Alternative sources of Assurance) <sup>2</sup>	Not Required, Merged or Deferred <sup>3</sup>
Key Systems	12	0	12	0	0
Probity	14	0	5	3	6
Consultancy and Special Investigations	2	4	0	4	3
Other <sup>4</sup>	4	1	0	4	0
<b>Total</b>	<b>32</b>	<b>5</b>	<b>19</b>	<b>8</b>	<b>8</b>

## 8. SUMMARY OF WORK UNDERTAKEN IN-YEAR WHICH ENABLED THE HEAD OF INTERNAL AUDIT TO PROVIDE AN OPINION

- 8.1 For the 2019/20 year, the Head of Internal Audit's Annual Opinion states that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system. There is a qualification to this opinion since one major area of work has yet to be completed i.e. Procurement and Contract Management. The results of this work will be presented to the Audit & Governance Committee at a future meeting.
- 8.2 One Whistleblowing case was referred to the Head of Internal Audit and investigated and found to have no foundations. Learning points from that specific case involve improving the frequency of communications to Senior Management and refresher training for Senior Management over the Public Interest Disclosure Act 1998 (the legislation supporting Whistleblowing in the UK).
- 8.3 The Council did not undertake any covert surveillance activity which required a Regulation of Investigatory Powers Act 2000 authorisation or Investigatory Powers Act 2016 authorisation.
- 8.4 Any significant issues raised by the Internal Audit Service are assessed by the Corporate Risk Group for recording in the Council's Risk Register, which is monitored at Corporate Governance meetings.
- 8.5 Four categories are used in the Internal Audit Report design 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.
- 8.6 The table in **Appendix A** constitutes a summary of the audit work undertaken in the year (planned audit coverage for 2019/20 was presented to the Audit and Governance Committee

<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

at Suffolk Coastal District Council on 7 March 2019 and Waveney District Council on 12 March 2019), and revised plan agreed on the 18 November 2019 by East Suffolk Council. All results have enabled the Head of Internal Audit to provide the Annual Audit Opinion as set out in Section 1.

8.7 The tables in **Appendices B & C** detail 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.

8.8 The table in **Appendix D** details work that was planned for the 2019/20 annual plan and has not been undertaken, with commentary on the reasons why this work was either cancelled or deferred.

## **9. OTHER SOURCES OF ASSURANCE SUPPORTING THE HEAD OF INTERNAL AUDIT OPINION**

9.1 The Head of Internal Audit's evaluation of the control environment is informed by several sources, including:

- a) The planned audit work undertaken by Internal Audit during the year 1 April 2019 to 31 March 2020;
- 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), 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 in 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.

## **10. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (INCLUDING A STATEMENT ON CONFORMANCE WITH PSIAS)**

10.1 The Public Sector Internal Audit Standards (PSIAS) require periodic self-assessments and an assessment by an external person every five years.

10.2 A self-assessment of ongoing compliance with the PSIAS and CIPFA's accompanying Local Government Accompanying Note was completed in 2019/20. The self-assessment was reviewed by an independent external examiner and the results were reported to the Audit & Governance Committee in January 2020.

10.3 The independent review concluded that East Suffolk Council Internal Audit Service conforms with all key elements of the PSIAS.



- 10.4 The Quality Assurance and Improvement Programme Action Plan is used to manage any opportunities to improve the Internal Audit function. During 2019/20 twenty-one actions identified from formal assessment or internal reviews have been completed. Eight actions are planned for delivery in 2020/21 and one is in progress, with all actions monitored regularly within the service.
- 10.5 A quality review process is in place within the Internal Audit Team which includes:
- 10.5.1 All work carried out within the audit team is reviewed to ensure that audit work has been performed in accordance with the agreed objectives for that audit, and that risk based assessments and fair conclusions have been reached based on clearly demonstrable evidence.
- 10.5.2 A draft audit report is issued to management at the end of each audit which is accurate, clear, concise, and 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.
- 10.5.3 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 2019/20 customer feedback received has been positive.
- 10.6 During 2019/20 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, and to adapt to increased demand, the ever changing risk environment and the introduction of East Suffolk Council. These improvements are ongoing and will continue throughout 2020/21.

## **11. ORGANISATIONAL INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT**

- 11.1 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 Council's 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.
- 11.2 To provide this service Internal Audit must have freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.
- 11.3 The Internal Audit Charter agreed by the Audit & Governance Committee in January 2020 sets out how the internal audit function will operate to ensure Independence and Objectivity.

- 11.4 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, the Cabinet, and the Audit & Governance Committee, all levels of management, Officers and elected Members'.
- 11.5 During 2019/20, 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.

## **12. BASIS OF OPINION**

- 12.1 My evaluation of the control environment is informed by a number of sources: the planned audit work undertaken by internal audit during the year; consultancy and additional work requested and performed throughout the year; the preparation of the strategic audit plan; reports issued by the Council's external auditors; my knowledge of the Council's governance, risk management, performance monitoring and internal control arrangements and the on-going work with management to assess and provide assurance on the efficiency, effectiveness and reliability of key systems.

## **13. OPINION**

- 13.1 The Head of Internal Audit is required to provide an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework which includes consideration of any significant risk or governance issues and control failures which arise.
- 13.2 86% of internal audit work completed during 2019-20 has yielded an acceptable level of assurance (effective or reasonable). For those audit reviews that have presented concern, actions have been agreed to improve controls and are closely monitored until such a time they are addressed. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit. Senior officers have agreed an improvement action plan to enable governance improvements as part of the Annual Governance Statement assurance process; these are also monitored within the Corporate Risk Register and overseen by the governance arrangements in place at the Council.

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

<b>Audit</b>	<b>ASSURANCE</b>
Housing Rents	Reasonable
Capital Accounting (including Fixed Asset Register)	Reasonable
Housing Repairs and Maintenance (planned maintenance)	Reasonable
N196 Returns (Fly-tipping)	Reasonable
General Ledger – Cash Management	Draft issued
General Ledger – Core Functions	Effective
Health & Safety Contract Management follow-up and assurance testing	Reasonable
Asset Management Follow-up	Reasonable
Disabled Facilities Grants (DFG) 2019/20	Effective
Accounts Receivable	Draft issued
Accounts Payable (including BACS processing)	Draft issued
Procurement (including Contract Management follow up)	At reporting stage will update A&G at a future meeting.
Housing Benefits Undertaken by West Suffolk Council Internal Audit Housing Benefit Overpayments Undertaken by West Suffolk Council Internal Audit	Adequate/Reasonable
Council Tax Undertaken by West Suffolk Council Internal Audit	Adequate/Reasonable
National Non-Domestic Rates Undertaken by East Suffolk Council Internal Audit	Adequate/Reasonable
Bailiff Services Undertaken by Fenland District Council Internal Audit	At reporting stage will update A&G in a future meeting.

**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
Payment Card Industry (PCI) follow up	Reduction of charges. Supplemental follow up work to be undertaken within 2020/21
Hothouse - Strategic Business Plan	Attendance at the corporate event to develop the Strategic Business Plan
Ethics and Culture	Assurance on ethics and culture factors into all audit work completed in 2019/20
Report of Money Laundering – NNDR	Administrative support to the Counter Fraud team

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

<b>Audit</b>	<b>Comments</b>
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 2019/20.
Public Sector Internal Audit Standards (PSIAS) self-assessment	A self-assessment on Internal Audit's compliance with PSIAS and the production of an improvement plan.
National Fraud Initiative (NFI)	Throughout the year Internal Audit administer the Council's participation, including: <ul style="list-style-type: none"><li>• Data Protection compliance</li><li>• Uploading of data</li><li>• Investigation of data matches.</li></ul>
Partnership Agreement Assessment	Consultancy: Advice to the Operations team
Framlingham Connected Communities Pilot Scheme Grant Claim Form	Consultancy: Advice to the Communities team
Land Charges and Online Publication Working Group	Consultancy: Advice and attendance at meetings

**APPENDIX D – Reviews that have been cancelled or deferred since the variation to the annual plan as agreed 18<sup>th</sup> November 2019, and the reasons why**

<b>Audit</b>	<b>Status</b>	<b>Comments</b>
Criminal Finances Bill	Deferred	Deferred due to impact of Coronavirus on resources.
Licensing	Deferred	New software was being implemented at the time the audit was scheduled; the audit was deferred with the agreement of the Service Area.
Car Parks (Contract management)	Deferred	Deferred due to impact of Coronavirus on resources.
ICT Port Health	Deferred	The service is seeking cyber security accreditation and the audit is deferred until the accreditation has been obtained to avoid duplication.
Physical Security of ICT Hardware	Deferred	Due to the rollout of new ICT hardware in 2019/20: providing assurance on arrangements before the rollout would not be of value to the organisation.
Enabling Communities Budgets consultation	Removed	Consultation no longer required by service.
Members' Requests	Standing item	No requests made during 2019/20.
Recruitment and Lone Working	Merged	This was merged with the Payroll audit which was deferred from the original Audit Plan.
Contract Management follow up	Merged	This was merged with the Procurement audit due to themes overlapping in both.



## AUDIT & GOVERNANCE COMMITTEE

Monday, 29 June 2020

### ANNUAL INTERNAL AUDIT PLAN 2020-21

#### EXECUTIVE SUMMARY

1. In previous years, the Audit and Governance Committee has received a report at its March meeting outlining the Internal Audit Plan for the coming year, following consultation of the Plan with the Corporate Management Team.
2. Members will be aware that, in common with all other areas of the Council, the work of the Internal Audit Team has been significantly affected by the Covid-19 pandemic. A separate report upon the status of the 2019/20 Internal Audit Plan is being presented to this Committee.
3. Whilst much of the 2019/20 Audit Plan was completed before the impact of the pandemic took hold, the change in focus which has been necessary within the Internal Audit Team from March 2020 in supporting the Council's response to the pandemic has resulted in a significant change to the usual audit planning process.
4. As the Internal Audit Team is likely to be required to support the wider Council response to the coronavirus pandemic for some time, it would not be practical at this stage to commit to a set Internal Audit Plan for the 2020/21 financial year. The Committee can expect to see an Internal Audit Plan for 2020/21 brought to its September 2020 meeting.
5. This report is being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference which stipulate that the Committee is to '*review and approve the annual internal audit plan and any major changes to it*'.
6. Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All
<b>Cabinet Member:</b>	Councillor Maurice Cook Cabinet Member with responsibility for Resources
<b>Supporting Officer:</b>	Name: Mrs Siobhan Martin Job Title: Head of Internal Audit Telephone: 01394 444254 Email: <a href="mailto:siobhan.martin@eastsuffolk.gov.uk">siobhan.martin@eastsuffolk.gov.uk</a>



## **1 PURPOSE OF THE REPORT**

- 1.1 Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter. The Council is required under the Accounts and Audit Regulations to maintain an adequate and effective Internal Audit Service.
- 1.2 This report presents the current position related to the strategic risk based Internal Audit Plan for 2020/21, as consulted with the Chief Executive and Corporate Management Team.

## **2 INTRODUCTION**

- 2.1 The work of the Internal Audit Service is to provide independent assurance and report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council.

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

- 3.1 Planned and emerging Internal Audit exercises will directly support a good governance and risk management approach to the key themes set out in the East Suffolk Strategic Plan 2020-2024 – ‘We are East Suffolk’.

## **4 INTERNAL AUDIT ANNUAL PLAN 2020/21**

- 4.1 The annual risk-based Internal Audit Plan, which is usually considered by the Committee at its March meeting each year, details the work that will provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas under review.
- 4.2 Members will be aware that, in common with all other areas of the Council, the work of the Internal Audit Team has been significantly affected by the Covid-19 pandemic.
- 4.3 As the Internal Audit Team is likely to be required to support the wider Council response to the coronavirus pandemic for some time, it would not be practical at this stage to commit to a set Internal Audit Plan for the 2020/21 financial year.
- 4.4 At this time, the Internal Audit Team must retain the flexibility to be responsive to the Council’s changing needs, and for this reason a written Plan for 2020/21 has not been produced. The Committee can, however, expect to see an Internal Audit Plan for 2020/21 brought to its September 2020 meeting.

## **5 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 5.1 Internal Audit reports, advice and recommendations all aim to create and foster a robust corporate governance foundation to support sustainable services for all stakeholders. Consequently, the Internal Audit Service aims to mitigate the risk of losses arising from error, irregularity, and fraud. In addition, efficiency, effectiveness, and economy reviews form part of the work plan, and this represents a fundamental function in delivering the Council’s corporate governance responsibilities.
- 5.2 The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require principal local authorities to ‘...undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.’

## **6 OTHER KEY ISSUES**

- 6.1 This report does not require an Equality Impact Assessment, a Sustainability Impact Assessment, or a Partnership Impact Assessment).

## **7 CONSULTATION**

- 7.1 Internal consultation with the Corporate Management Team and external consultation with the Council's External Auditor will continue to take place. Detailed meetings occurred throughout January and February 2020 as part of the Head of Internal Audits normal strategic risk-based planning process. However, as explained the international crisis since March 2020 has meant a new risk based strategic plan will be written at an appropriate time considering the different risk arena being faced by Councils.

## **8 OTHER OPTIONS CONSIDERED**

- 8.1 No further options have been considered.

## **9 CONCLUSION**

- 9.1 Internal Audit will continue to provide regular reports to the Audit and Governance Committee on its activities and any significant issues arising.

## **10 REASON FOR RECOMMENDATION**

- 10.1 To support the Council's overall governance arrangements and to ensure that the Audit and Governance Committee fulfils its terms of reference by reviewing the appropriateness of the proposed internal audit activity across the Council.

### **RECOMMENDATION**

That the Audit and Governance Committee receive a report on the Annual Internal Audit Plan 2020/21 at its meeting in September 2020.

### **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.

<b>Date</b>	<b>Type</b>	<b>Available From</b>
2020	East Suffolk Council Strategic Plan 2020 - 2024	Head of Internal Audit
2020	Strategic Service Plans	
2020	Corporate Risk Register	
April 2017	Public Sector Internal Audit Standards	



## AUDIT AND GOVERNANCE COMMITTEE

Monday, 29 June 2020

### CORPORATE FRAUD ANNUAL REPORT 2019-20

#### EXECUTIVE SUMMARY

1. This report provides a summary of the performance of the Corporate Fraud Service for the period 1 April 2019 to 31 March 2020.
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 Richard Kerry - Cabinet Member with responsibility for Housing Councillor Maurice Cook - Cabinet Member with responsibility for Resources
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<b>Supporting Officer:</b>	Mrs Siobhan Martin Head of Internal Audit Telephone Number – 01394 444254 Email address – <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 for the period 1 April 2019 to 31 March 2020.

## **2 BACKGROUND**

- 2.1 East Suffolk Council has a dedicated Corporate Fraud Service. The Council has an overall zero-tolerance approach to fraud and corruption. The Team had a comprehensive programme of proactive/reactive anti-fraud work which has been undertaken in 2019/20. In May 2015, Housing Benefit fraud investigations transferred to SFIS (DWP).
- 2.2 The Corporate Fraud Team will investigate any aspects of the fraud activity relating to the Council, partnerships, and their services, whilst considering the risk of loss to the Council, loss of the services to its residents and reputational damage this may cause.
- 2.3 Local Authorities' powers increased in 2013, with the introduction of the Local Council Tax Reduction Scheme (LCTRS) Regulations (replacing Council Tax Benefit). They are no longer classed as a DWP benefit. Also, currently most Single Person Discount (SPD) and Local Council Tax Reduction (LCTR) checks are undertaken by the Anglia Revenues Partnership (ARP). This includes the LCTR and Housing Benefit NFI results (National Fraud Initiative Exercise) allocated to them. All other NFI matches are investigated by the East Suffolk Council Corporate Fraud Service.
- 2.4 A continued focus during 2019/20 has been maintaining working relationships and closer liaison across specific service areas to widen the scope of fraud awareness. This included specific external training to identify how fraud could permeate into their areas of work.

## **3 RESOURCES**

- 3.1 The Corporate Fraud Service consists of a Manager, two Investigation Officers (full time) and an Intelligence Officer (part-time) directed by the Head of Internal Audit. The Head of Service is a Senior Appropriate Officer, accredited by the National Crime Agency (NCA) and one Investigations Officer is an Accredited Financial Investigator. This provides the Council with an opportunity to recoup financial losses because of fraudulent activity and another specific area of work.
- 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 two 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 £304k in 2019/20. 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 £4.69m.

## **4 PERFORMANCE / OUTTURN**

- 4.1 The Head of Internal Audit directs and monitors the overall performance of the Corporate Fraud Service. Day to day management of the Service resides with the Corporate Fraud Manager. This report represents the performance/outputs of the Corporate Fraud Service during 2019/20. It is acknowledged that East Suffolk 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 specific cases usually have an element of other irregularities too –

Council Tax Single Person Discount (SPD), Local Council Tax Reduction), (LCTR), Right to Buy (RTB) fraud prevention, which are dealt with by the Corporate Fraud Service.

4.2 The Corporate Fraud Service investigates a variety of suspected frauds which the Council is vulnerable to, including:

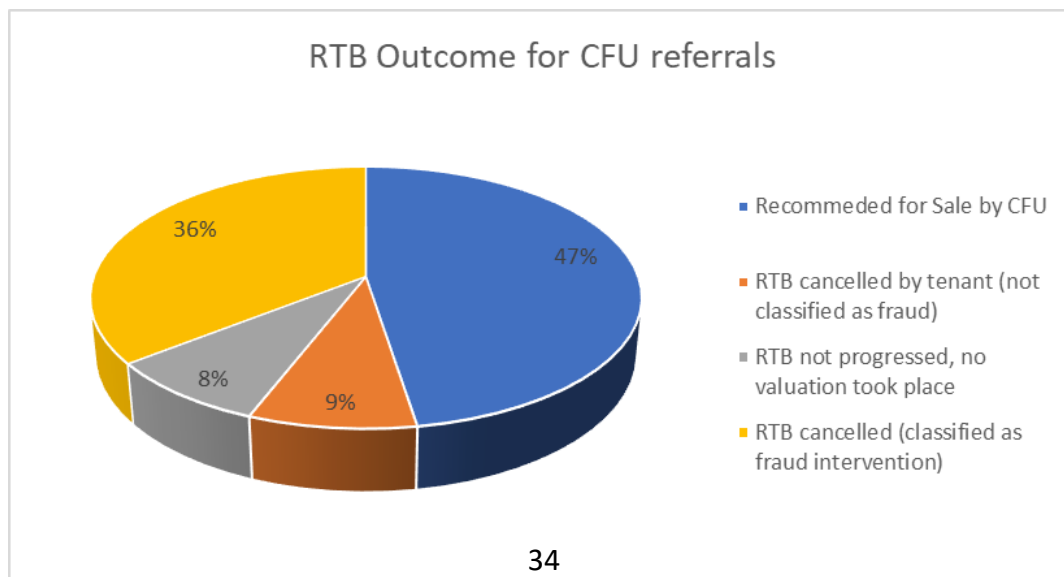
- Right to Buy
- Social Housing Tenancy Fraud
- Gateway to Home Choice applications
- Council Tax Reduction Scheme (proactive – most referred to ARP)
- Single Person Discount / Empty Properties (proactive- most referred to ARP)
- Grants
- Business Rates
- Checking false identity documents (Internal & external)
- Blue Badges
- National Fraud Initiative (NFI Government led exercises)
- Internal investigation cases (disciplinary etc)

### 4.3 Right to Buy (RTB)

4.3.1 A continuing vital area of work undertaken this last year has been operating a robust “due diligence” reference check on all “Right to Buy” (RTB) application forms submitted to the Council. Under the Proceeds of Crime Act 2002 and the Money Laundering & Anti - Terrorist Financing and Transfer of Funds Regulations Act 2017, there needs to be identity and financial checks undertaken to ensure that social housing is not being purchased (under the RTB legislation) whilst using criminal assets.

The Investigators interview the tenants in respect of their application form and make relevant enquires to establish the facts, before making a recommendation. If they are not satisfied, they will ask for further documentary evidence to verify before recommendation. The Team continues to see an increasing trend of tenants intending to use third party funds to purchase where the funds are provided as a “gift”. These need to be investigated further to ascertain the identity of the third party and origin of the funds. They are also required to attend the RTB interview. Following these enquires some RTB applications have led to tenancy fraud issues. To qualify for an RTB the tenant must be using the property as their main and principal home to live in.

Figure 1 below provides details of all 59 RTB referrals made to the Corporate Fraud Service in 2019/20 and identifying results.



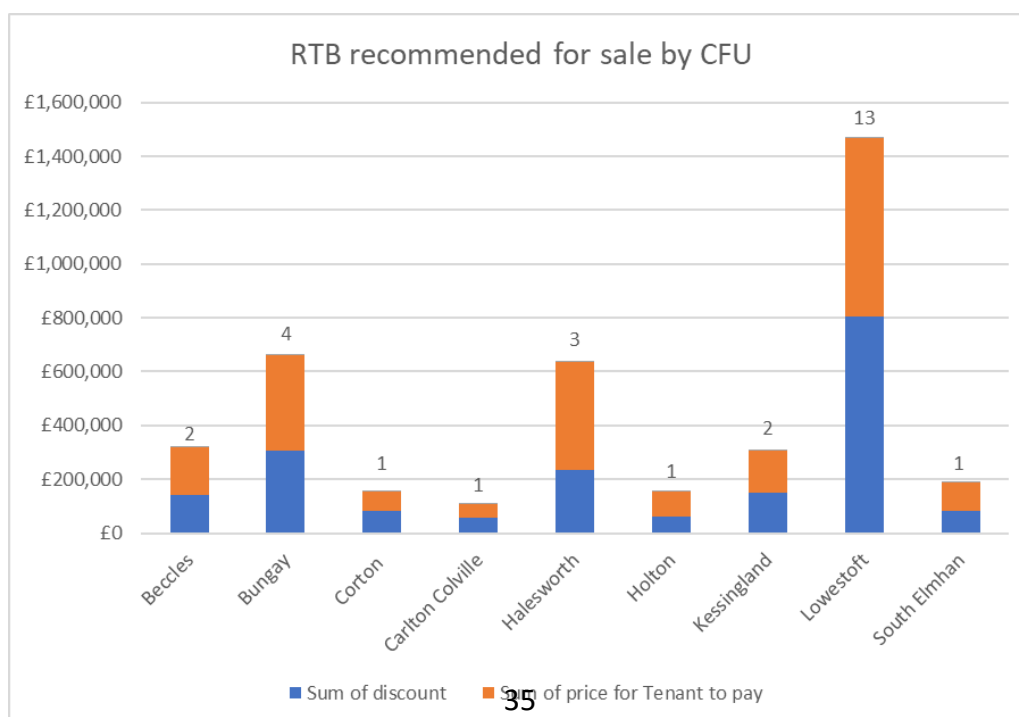
4.3.2 As shown above, out of the 59 RTB referrals, 31 RTB applications during 2019/20 did not progress following referral to the Corporate Fraud Service for due diligence checks. Of these 31 RTB these have been classified into three areas: (1) those cancelled as a direct result of fraud intervention, (2) those cancelled by the tenant for varying unknown reasons unknown (3) those RTB that didn't progress – no valuation took place.

- (1) 21 RTB applications have been classified as cancelled following fraud intervention. As a result, these properties, with a market value of £4,312,500 remain part of the Council's tenancy portfolio.
- (2) 5 RTB applications have been cancelled, reasons unknown without fraud intervention. These properties had been valued with a market value of £725,000, with discount value of £361,400 and if progressed could have resulted in sale income of approximately £363,600 to the Council.
- (3) 5 RTB applications were cancelled as they did not progress to a valuation.
- (4) 28 RTB applications were recommended for sale.

4.3.3 During the year 2019/20 the Corporate Fraud Service recommended that following satisfactory interviews, financial and residency checks RTB sales could proceed for 28 properties. The combined market value of these 28 properties was £3,999,000. Following the application of relevant discounts totalling £1,924,290, income due to the Council from these agreed sales was £2,074,710. Checks are undertaken regarding any outstanding Council Tax debts whilst the applicant is encouraged to satisfy this debt prior to purchasing the property. An outstanding Council Tax debt of £5,689.52 (including costs) was paid because of these additional checks and the RTB due diligence checks.

Council Tax Debt	No	Value
Recovery and costs	1 case	£5,689.52
Total		<b>£5,689.52</b>

4.3.4 Figure 2 below shows the impact of the 28 RTB applications where the Corporate Fraud Service recommended the sale could proceed, breaking down the agreed price and discount applied per geographical area



- 4.3.5 Due to the continued success and joint working relationship between the Corporate Fraud Service and Housing Tenancy Service/RTB Support Team, 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 Corporate Fraud Service has received 35 case referrals around 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 the Prevention of Social Housing Fraud Act 2013 to make enquiries to prevent fraudulent activity which currently Social Landlords do not have.

- 4.4.3 The Cabinet Office's National Fraud Initiative (NFI) (November 2018) advised the notional value of £93,000 per property recovered which took into account the annual cost of temporary accommodation (£18,000 pa), the duration for which fraudulent a tenancy may continue undetected (4 years) and other non-recoverable costs including legal costs to recover the property; re-let costs; and rent forgone during the void period between tenancies (£21,000).

- 4.4.4 Of the 35 cases reviewed (some still ongoing), 4 properties were returned to social housing usage. The prevention of potential financial loss per property recovered is calculated using the National Fraud Initiative figures. *NB: two additional properties were in the process of being handed back to the Council but due to COVID19 restrictions the possession action was not completed in these results.*

4.4.5

Tenancy recovered	No	Value
NFI Notional figures per property = £93,000	4	£372,000.00
Total		<b>£372,000.00</b>

#### 4.5 Council Tax - Single Person Discount -

- 4.5.1 The majority of these 23 cases were referred to ARP, unless they are additional offences within the corporate fraud case, which the Team established due to these other offences which resulted in the removal of SPD entitlement as follows:

SPD	No	Value
Single Person Discount	5 cases	£4,698.17
Total		<b>£4,698.17</b>

#### 4.6 National Fraud Initiative

- 4.6.1 The Corporate Fraud Service continues to participate in the 2019/20 Cabinet Office National Fraud Initiative (NFI) data matching exercise, results will be reported in due course. CTAX/SPD/LCTR matches are undertaken by Anglia Revenues Partnership as previously advised. The exercise is still underway with results to date reported at Appendix A.

### 5 EMBEDDING AN ANTI-FRAUD CULTURE

- 5.1 Through the strategic lead of the Head of Internal Audit, the Corporate Fraud Service (East Suffolk 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 to assist in further joint fraud work.

- 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 : Preventing and Detecting Grant Fraud (ITS); Prosecution Case File training (Bond Solon); Disclosure training (Bond Solon); Home Office Guidance training; Chartered Institute of Public Finance and Accountancy (CIPFA) fraud hub training.
- 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 and will be continuing this in the new year 2020/21.
- 5.4 The Corporate Fraud Service facilitated additional staff members to undertake Identity Fraud Training by a trainer employed by the Eastern Region Special Operations Unit (ERSOU) Counter Terrorism Policing Command. This was to raise fraud awareness for new employees / human resources staff and any staff dealing with identity issues. This will be continuing in the new year 2020/21.
- 5.5 This Identification training will also be extended to external partnership representatives to widen the understanding of the fraud element in all businesses in respect of job applicants and being able to identify false ID docs and CVs.
- 5.6 To negate the fraud risks for recruitment purposes (such as allowing someone to be employed based on false documentation), fraud awareness training for all Recruiting Managers will continue into 2020/21. This area had been identified within a previous audit report as a “risk”, and additional enhanced checks are to be undertaken by the Corporate Fraud Service in respect of selected Council jobs (those that have significant responsibility for Council funds) as this is a growing area of identity fraud in the UK. Applicants would be advised that the post would be subject to enhanced checks.
- 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. Thus, consideration will be given to possible formal cautions or administration penalties instead of costly legal prosecutions. This is due to be on the agenda for the refreshed Council’s Enforcement Officers Group for discussion in the future. Also briefing the Communications Manager on successful cases to promote to the public that the Council is safeguarding public funds and recognised as good practice and does act as a fraud deterrent.
- 5.8 Corporate Fraud Officers are members of the National Anti-Fraud Network and the Local Authorities Intelligence Officers Group and Fraud Hub and National Crime Agency.
- 5.9 The Corporate Fraud Service participated in the International Fraud Awareness Week in November 2019. Some examples of the anti-fraud awareness and promotion involved emailing GP Surgeries a Fraud Awareness Poster to be included in their weekly newsletters; disseminating Fraud Awareness Poster to private and social landlords; leaflets/flyers provided to Customer Services to take to the Woodbridge Library, Felixstowe Library, Beccles, Library and the Marine Centre; email sent to all the East Suffolk Parish Councils containing the Fraud Awareness Poster; posters put up on the Notice Boards at East Suffolk Council offices and placed on the intranet and twitter and Fraud Awareness Posters sent to Representative at the Council’s Leisure Centres.
- 5.10 The Corporate Fraud Manager and Head of Audit and Fraud had programmed fraud awareness training including “Whistleblowing” to Officers and Partnership Organisations. In addition, there was also fraud awareness training arranged for the new East Suffolk Council Members elected in April 2019, covering aspects of corporate fraud awareness



training including identity fraud and cyber fraud. This training was cancelled and is due to be delivered as soon as possible in 2020/21 programme.

- 5.11 The Financial Investigators (within the Partnership) authorised under the Proceeds of Crime Act 2002 and the Serious Crime Act 2015 had previously provided training to various Council teams on the legal powers available to recover money obtained fraudulently by criminal acts. This programme will be reviewed and continue to be rolled out in 2020/21.
- 5.12 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, in respect of fraud awareness.

## **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	£4,312,500.00
Tenancy Fraud	£372,000.00
Council Tax SPD	£4,698.17
Council Tax Debt recovery + costs	£5,689.52
	<b>£4,694,887.69</b>

## **7 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC 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 Strategic Plan.

## **8 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 8.1 The Corporate Fraud Service has been delivered within the approved budget for 2019/20.
- 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 Regulation 2018, Human Rights Act 1998, Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2019, 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, Money Laundering & Terrorist Financing (amendment) Regulations 2019 and the Criminal Finance Act 2017.

## **9 OTHER KEY ISSUES**

- 9.1 This report has not required an 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 2019-20, and to fulfil its terms of reference.

### RECOMMENDATIONS

That the Audit and Governance Committee comments upon the performance of the Corporate Fraud Service for the year 2019/20.

### APPENDICES

<b>Appendix A</b>	National Fraud Initiative Results 2019 – 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 2019	Corporate Fraud Business Plan 2019/20	Head of Internal Audit

### National Fraud Initiative Results 2019 Anglia Revenues Partnership

The below table shows the results of the work undertaken by the Council's shared service partner, the Anglia Revenues Partnership in relation to results from the National Fraud Initiative exercise. These joint results, covering both the former Suffolk Coastal and Waveney District Councils, include both financial error and fraud.

	Joint Council Results (SCDC/WDC)
Council Tax – LCTS Reduction Scheme	£31,588.46
Council Tax – Single Person Discount	£401,487.43
Council Tax – Other	£5,170.73
NNDR	£9,347.23
<b>Total</b>	<b>£447,593.85</b>

## **AUDIT & GOVERNANCE COMMITTEE**

Monday, 29 June 2020

### **CORPORATE ANTI-FRAUD BUSINESS PLAN 2020-2021**

#### **EXECUTIVE SUMMARY**

1. The Corporate Anti-Fraud Business Plan 2020-2021 details the Council's proposed approach to the prevention, detection and prosecution of fraud and corruption. The plan sets out the high-level desired outcomes and management processes aligned to the Council's five strategic themes and objectives.
2. This report is presented to the Audit and Governance Committee in compliance with its terms of reference to 'Monitor Council policies on ... Anti-Fraud and Corruption'.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All
<b>Cabinet Member:</b>	Councillor Maurice Cook Cabinet Member with responsibility for Resources
<b>Supporting Officer:</b>	Mrs Siobhan Martin Head of Internal Audit 01394 444254 <a href="mailto:siobhan.martin@eastsuffolk.gov.uk">siobhan.martin@eastsuffolk.gov.uk</a>

## **1. INTRODUCTION**

- 1.1 A key responsibility within the Audit and Governance Committee's terms of reference is to 'Monitor Council policies on... Anti-Fraud and Corruption'. The Corporate Anti-Fraud Business Plan at Appendix A represents the planned corporate wide anti-fraud work for the financial year 1 April 2020 to 31 March 2021.
- 1.2 The Corporate Fraud Team will continue to focus its anti-fraud activities in the areas of prevention, detection, and prosecution work, directed by the Head of Internal Audit, who also leads this service area at Ipswich Borough Council.
- 1.3 The financial year ahead will continue to be a year of further development and enhancement in the field of corporate anti-fraud activity given the ever-changing face of fraud given the Coronavirus Pandemic.

## **2. BACKGROUND**

- 2.1 The Council maintains a zero-tolerance approach towards fraud and corruption, and the existence of a professional Corporate Fraud Team demonstrates the Council's commitment to this objective.
- 2.2 Fraud is an act of deception carried out for personal gain or to cause loss, or a loss to another party. In the Public Sector fraud can be committed internally by workers or externally by suppliers, contractors, and members of the public. Fraud covers a wide spectrum of activities and can affect all departments.
- 2.3 The Audit Commission, now known as the Public Sector Audit Appointments Ltd, along with other designated post holders e.g. Head of Paid Service, Section 151 Officer, Monitoring Officer and Head of Internal Audit, requires local authority services to have in place an effective counter fraud strategy and plan. This report demonstrates that the Council has such a plan in place. Each year the Council's external auditors and Central Government quasi bodies note and comment upon the proactive and reactive work undertaken by the Council.
- 2.4 The Corporate Anti-Fraud Business Plan 2020-2021 is a direct contribution to meeting the Council's objectives and a key contributor to enabling the Government's austerity measures in reducing public expenditure by reducing fraud.

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

- 3.1 This report underpins the entire delivery of the East Suffolk Strategic Plan 2020-2024 by supporting the governance environment in which it operates. The Corporate Anti-Fraud Business Plan aims to deliver a mechanism to prevent, detect and prosecute fraudulent behaviour and thus provide improved value for money given the finite local government resources available. The work of the Corporate Fraud Team is directly aligned to protecting the public purse and has been designed to address the areas of concern identified locally and nationally as described within The European Institute for Combatting Corruption and Fraud (TEICCAF) and the publication entitled 'Protecting the Public Purse'.

## **4. FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 4.1 The Corporate Anti-Fraud Business Plan 2020-2021 works in conjunction with other fundamental documents; these form the foundations for Corporate Anti-fraud activity across the Council. Key supporting documents can be found on the Council's intranet and are listed as follows:

- Anti-Bribery Policy
- Anti-Fraud and Corruption Strategy (incorporating Prosecution & Sanction Policy)
- Whistleblowing Policy

- Regulation of Investigatory Powers Act Policy
- Code of Corporate Governance
- Anti-Money Laundering Policy

## 5. RISK MANAGEMENT

Risk Description	Consequence of risk	Risk Controls	Actions to mitigate risk
1. Failure to prevent and detect fraud.	Financial Loss.  Inability to provide services to those in need.  Reputational damage.	Investigations undertaken by Corporate Fraud Team through referrals.  Preventative due diligence measures implemented across service processes.  Professional Corporate Fraud Team raising awareness of fraud.	Referrals risk assessed and investigations conducted where appropriate. Sanctions publicised where appropriate.  Due diligence measures undertaken as part of business as usual to prevent and deter fraud in the first instance.  Fraud clinics held for staff. Responsible for promoting the International Fraud Awareness Week
2. Lost opportunity to work with Registered Social Landlords (RSL's) and neighbouring Councils.	Loss of income	Regular meetings with RSL's and neighbouring Councils.	Member of Tenancy Fraud Forum  Promoting CF services to social Landlords and other Councils currently being undertaken
3. Failure to undertake mandatory National Fraud Initiative data matching exercise.	Reputational damage.	Matches co-ordinated by Internal Audit and Corporate Fraud Services.	Included as part of Internal Audit and Corporate Fraud Business Plans. Shown to produce savings across the Service area by this data matching

## 6. OTHER KEY ISSUES

- 6.1 This report does not require an Equality Impact Assessment, a Sustainability Impact Assessment, or a Partnership Impact Assessment.

## 7. CONSULTATION

- 7.1 Consultation has taken place with the Chief Executive and relevant Cabinet Member.

## 8. OTHER OPTIONS CONSIDERED

- 8.1 No further options have been considered.

## 9. REASON FOR RECOMMENDATION

- 9.1 To apprise Members of the planned corporate anti-fraud work to be undertaken at the Council. To ensure Members of the Committee discharge their duties and responsibilities in accordance with the Committee's terms of reference.

### RECOMMENDATION

That the Committee comments upon and endorses the Corporate Anti-Fraud Business Plan 2020-2021.

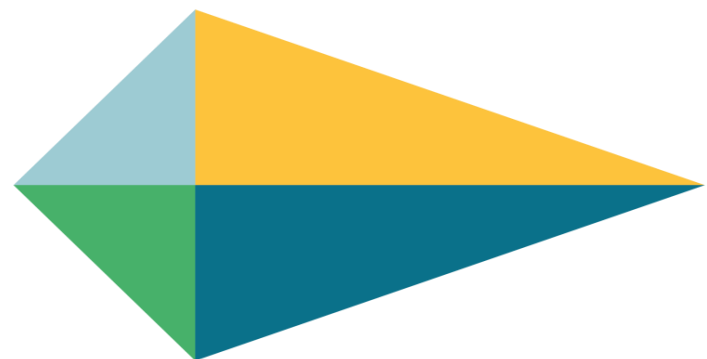
### APPENDICES

Appendix A: Corporate Anti-Fraud Business Plan 2020-2021

### BACKGROUND PAPERS

Please note that copies of background papers have not been published on the Council's website, 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
April 2020	Fighting Fraud and Corruption Locally Strategy 2020 (issued by Local Government Associated and others)	Head of Internal Audit
February 2019	International Public Sector Fraud Forum 'A Guide to Managing Fraud for Public Bodies'	Head of Internal Audit
June 2018	National Fraud Initiative Report 2018	Head of Internal Audit
January 2017	'Protecting the English Public Purse' issued by The European Institute for Combatting Corruption and Fraud.	Head of Internal Audit



**EASTSUFFOLK**  
C O U N C I L

# **Corporate Anti-Fraud Business Plan 2020-2021**



## **Contents**

1. Introduction
2. International, National and Regional Context
3. Aims and Objectives
4. Defining Fraud
5. Resources
6. Key Activities 2020-21
7. Performance
8. Fighting Fraud and Corruption Methodology

## 1. INTRODUCTION

- 1.1 The Corporate Anti-Fraud Business Plan represents the Council's strategic response to counter fraud and corruption.
- 1.2 The Leader of the Council his Cabinet and Senior Management Team set the tone of zero tolerance approach towards all fraud actioned against the Council, its customers and all stakeholders.
- 1.3 East Suffolk Council's Corporate Fraud Team will continue to create an anti-fraud culture and enhance services in the field of corporate anti-fraud activity across all Council services and with all partners aligned directly to the five key strategic themes detailed the Council's Strategic Plan 2020-2024, see diagramme below:



- 1.4 The Team will acknowledge, prevent and persue fraudulent behaviour in order to support the Council to help grow the economy, enable our communities, remain financially sustainable, deliver digital transformation and care for the environment, whilst ensuring a zero tolerance approach to all fraud issues.
- 1.5 The foreword of The Chartered Institute of Public Finance & Accountancy (Fraud and Corruption Tracker) Summary Report 2019 (CIPFA) states: *"As stewards of public money, it's the responsibility of each and every public sector organisation to take an active role in the fight against corruption, bribery and fraud. The impact of financial crime is enormous. The diversion of funding from vital public services undermines public trust, financial sustainability, organisational efficiency and makes vulnerable people in our communities much worse off."*
- 1.6 All Councillors, officers, employees, consultants, partnership staff, volunteers and agency staff, etc are committed to a zero tolerance approach towards fraud and corruption in the administration of its responsibilities, whether internally or externally, caputured within the relevant contracts and codes of conduct.
- 1.7 The Corporate Fraud Team are professionally qualified and experienced Investigators undertaking dedicated fraud prevention, detection, investigation and prosecution services, including intelligence gathering activities.
- 1.8 The Corporate Fraud Team receive fraud referrals from internal staff, contractors, partnership staff, external agencies, and other government departments along with anonymous referrals from members of the public.

- 1.9 A confidential telephone **fraud ‘hotline’ (01394 444444)**, is available for all to report any suspicion of fraud. Reports can also be made via the Council’s website on [fraud@eastsoffolk.gov.uk](mailto:fraud@eastsoffolk.gov.uk)
- 1.10 In addition there is a legal requirement for anyone wanting to report any **whistleblowing concerns on the confidential whistleblowing hotline (without fear of reprisal) on 01394 444222**.

## **2. INTERNATIONAL, NATIONAL AND REGIONAL CONTEXT**

- 2.1 The International Public Sector Fraud Forum ‘A Guide to Managing Fraud for Public Sector Bodies’ (February 2019) sets out an international unified approach based upon anti fraud principles and practices which the Council has embraced for a number of years. The Council acknowledges that fraud has no geographic boundaries particularly in the growing cyber technology world. (This is very apparent during the recent COVID19 Pandemic where fraud increased by 400%).
- 2.2 Tackling fraud in Local Government continues to remain high profile; driven by the duty to ensure public stewardship of Council resources and enable the Council to provide services to those in need whilst facing significant reductions in government funding.
- 2.3 The Corporate Fraud Team has connections and links to many external agencies all sharing the same objective to prevent crime.
- 2.4 The loss and harm caused by fraud in the public sector is significant. The Annual Fraud Indicator 2017, which provides the latest set of Government sanctioned estimates, suggests that fraud cost the public sector at least £40.3bn annually. £7.8bn of which is specifically in Local Government. This does not take into account the social harm caused by fraud across the community.
- 2.5 Fighting Fraud and Corruption Locally (FFCL) Strategy 2020 was launched in March 2020. East Suffolk Council (along with Ipswich Borough Council Fraud) have assisted the FFCL Board in creating the new strategy by working with a representative of the FFCL Board in a regional workshop. Further legal gateways of intelligence sharing may also become available later.
- 2.6 The Corporate Fraud Team also consider and incorporate elements of the Government’s Economic Crime Plan 2019 within its operations.

## **3. AIMS AND OBJECTIVES**

- 3.1 The Corporate Fraud Team at East Suffolk Council is committed to:
- Raising awareness of the importance of identifying and tackling fraud accross the Council and its corporate partners.
  - Focus on prevention and deterrence risk assesement as a cost effective means of reducing fraud losses to protect vital public resources.
  - To undertake fraud awareness training for Members/Partners/staff etc.
  - Improve the Council’s fraud Intelligence IT framework.
  - To undertake work in partnership data hubmatching cross border .

- Investigate potential fraudulent or corrupt activity where integrity and ethics are at the forefront.
- Use Proceeds of Crime Act 2002 legislation to recover losses from fraud with confiscation / compensation action.
- To work with other organisations, partners, and investigative bodies to strengthen and continuously improve resilience to fraud and corruption.
- Encourage individuals to report suspicions of fraudulent or corrupt behaviours.
- To publicise fraud and corruption cases via Legal /Communication Team.

## 4. **DEFINING FRAUD**

### 4.1 **What is Fraud?**

The Fraud Act 2006 details the legal definitions of fraud, and is used for the criminal prosecution of most fraud offences. The Council also deals with fraud in non-criminal matters. For this purpose fraud is defined as:

*“the intentional distortion of financial statement or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise to gain”.*

The definition covers various offences including deception, forgery, theft, misappropriation, collusion and misrepresentation.

### 4.2 **What is Corruption?**

Corruption is defined as:

*“the offering, giving, soliciting or acceptance of an inducement or reward that may influence the action of any person. These inducements can take many forms including cash, holidays, event tickets, meals etc”.*

### 4.3 **What is Bribery?**

The Bribery Act 2010 creates offences where:

*“an individual or commercial organisation offers or receives a bribe to bring about or reward the improper performance of a function or activity”.*

Bribery can be acceptance of gifts, money, and hospitality in return for providing something of value to the briber.

### 4.4 **What is Theft?**

The Theft Act 1968 defines the legal definition of theft. For the purpose of this statement theft is defined as:

*“the taking without consent and with the intention of not returning any property belonging to the Council or which has been entrusted to it e.g. clients funds, including cash, equipment, vehicles, data etc.”*

Theft does not necessarily require fraud to be committed. Theft can also include the taking of property belonging to our staff or members whilst on Council property.

#### 4.5 **What is Financial Malpractice /Irregularity?**

*“any actions that represent a deliberate serious breach of accounting principles, financial regulations or any of the Council’s financial governance arrangements”.*

These actions do not have to result in personal gain.

It is a fact that some people will look to make gain where there is opportunity, and Councils need robust processes in place to prevent, detect and respond to fraud and corruption.

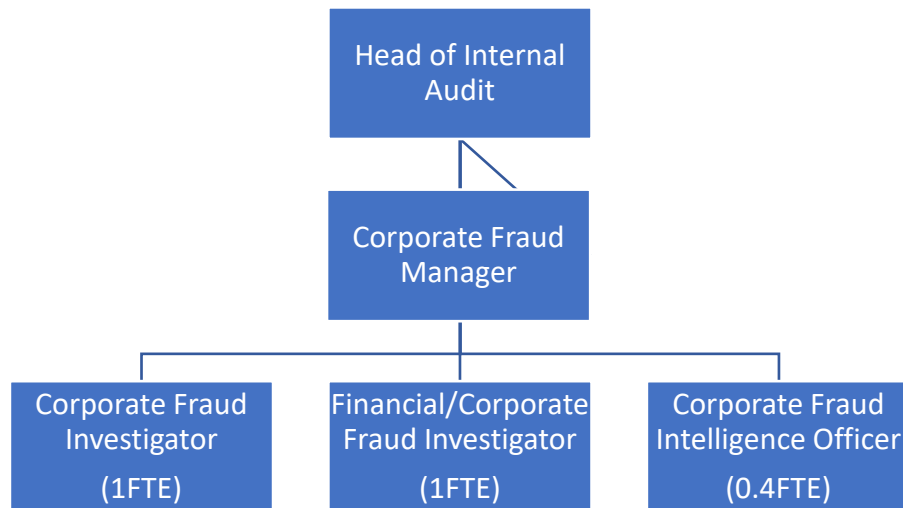
Preventing fraud through effective counter fraud practices reduces the loss and reputational damage (although this can be difficult to measure). It also requires less resources than an approach focused on detection and recovery.

#### 4.6 Defining fraud all three elements must usually be present:



## 5. **RESOURCES**

### 5.1 The Corporate Fraud Team sits within the Audit Section and forms part of the Audit Services Partnership arrangements with Ipswich Borough Council.



- 5.2 The Corporate Fraud Team has one Investigator that is also qualified as a Financial Investigator - authorised by the National Crime Agency (NCA), whose skills can be utilised across the partnership, in respect on Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017. The Head of Internal Audit and Fraud is also authorised by the NCA as a Senior Authorised Officer. All of the above staff are directly employed by East Suffolk Council.
- 5.3 Partnership arrangements provide an opportunity to share training, knowledge and expertise, with a further two full time equivalent Financial Investigators appointed at Ipswich Borough Council. This provides a significant advantage to the Council as it enables us to recover financial losses due to criminal activity, as well as the ability to tackle broader criminal conduct cross boundary.
- 5.4 To be effective, the Council will continually adapt its resources and continue to be agile in order to face the changing nature of the threat and the changing nature of its own business. The COVID19 pandemic has identified emerging fraud risks which all Council staff and their partnerships need to be fully aware of in order to safeguard public money and also support the public.
- 5.5 Fighting fraud and corruption is not a one-off cost, it requires an ongoing investment that will be maintained and which flexes with the scale of risk and threat that the Council faces.

## 6. KEY ACTIVITIES 2020-21

- 6.1 Workstreams for the Corporate Fraud Team planned for 2020-21 have been aligned to common themes set out within a number of national anti-fraud networks eg Fighting Fraud and Corruption Locally 2020 publication, the Credit Industry Fraud Avoidance System (CIFAS), the National Crime Agency and the National Cyber Security Centre. This also aligns to the East Suffolk Council's new Strategic Plan 2020-2024.
- 6.2 Corporate fraud investigations undertaken may fall within any of the following key areas, but is not limited to (as identified within Protecting the Public Purse 2016 and by the Cabinet Office), each area may have proactive and reactive exercises taking place:
- Covid19 related frauds eg Grants
  - Tenancy/Housing fraud
  - Right to Buy
  - Council Tax Reduction Scheme (proactive)

- National Non-Domestic Rates (proactive)
- Procurement
- Cyber Crime
- Insurance claims
- Car Park Enforcement/Blue Badge Scheme
- Economic and third sector support (including Disability grants)
- National Fraud Initiative Matches
- Whistleblowing Investigations
- Regulation of Investigatory Powers Act/Investigatory Powers Act 2016

6.3 To be instrumental and actively promote the re-instatement of the Council's Enforcement Officers Group and assist Legal with revising the Enforcement Officers Policy across the Council's Enforcement Teams.

6.4 In support of the UK Anti-Corruption Strategy 2017-2022, Internal Audit and Corporate Fraud Services plan of works for 2020-21 onwards will dedicate resource to specifically undertake fraud awareness training in the risk of procurement fraud to reduce corruption in public procurement and grants.

6.5 In support of the fraud awareness programme, we will deliver fraud awareness training to all Council Members. There will be E-learning training available in respect of fraud awareness provided to all staff, contractors and partnership staff etc, which everyone will need to undertake.

## 7. **PERFORMANCE**

7.1 An annual report of outcomes from the previous financial year 2019-2020 will be presented to the Audit and Governance Committee, in a separate report.

7.2 Outputs are monitored on a monthly basis within the service by the Corporate Fraud Manager and reported to the Head of Internal Audit.

## 8. Fighting Fraud and Corruption Methodology

<u>GOVERN</u>	<u>ACKNOWLEDGE</u>	<u>PREVENT</u>	<u>PURSUE</u>
Having robust arrangements with Member and Senior Management support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Accessing and understanding fraud risks.  Committing the right support and resource to tackle fraud and corruption.  Communicating the risks to those charged with Governance.	Enhance information and technology use.  Enhance fraud controls and processes.  Develop effective anti-fraud culture.  Communicating our activities and successes.	Prioritise fraud recovery and use of civil sanctions.
Adopt a robust Anti-Fraud and Corruption Strategy supported and approved by Audit & Governance Committee.	Review and assess all Fraud policies to ensure a comprehensive response.	Conduct targeted reviews in conjunction with Internal Audit to design out fraud from the outset, which will enhance fraud controls and processes across the organisation.	Conduct fraud investigations in line with risk assessment in response to referrals from internal staff, members of the public and external agencies etc.
Provide E-Learning fraud awareness training across the Council to all staff, members, contractors, partnerships etc.	Conduct a formal fraud risk assessment which will be used to create a fraud risk mitigation plan.	Perform due diligence money laundering checks on all Right to Buy housing applications.  Perform due diligence in respect of rent accounts in line with money laundering regulations 2017.	Conduct proactive exercises via data technology across all high fraud risk areas in the Council.
Undertake specific fraud awareness training to Council Members.	Attend Team meetings to provide support and guidance relating to anti-fraud measures.	Instrumental in re-instated the Enforcement Officers Group in respect of using Proceeds of Crime Act 2002 / Money Laundering Regulations across the difference service areas.	Improve the fraud awareness understanding across all Council Sections including Members. The fraud service to promote their services in many enforcement areas, for the seizure of assets of offenders to recoup financial losses.
Continue to participate in International Fraud Awareness Week.	Survey Members and Senior Management in respect of any corporate fraud issues.	Publicising the work of the fraud service through internal promotion and to the public through the Press Office.	Utilise civil sanctions with the option of prosecution where a criminal offence is committed.
<b>PROTECTING THE COUNCIL AND ITS RESIDENTS</b>			
Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.			







## AUDIT & GOVERNANCE COMMITTEE

Monday, 29 June 2020

### 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...'.
  - a) General Ledger (Core Functions) 2019/20
  - b) Housing Rents 2019/20
2. The Audit and Governance Committee is invited to comment upon the contents of the attached Internal Audit Reports:

Is the report Open or Exempt?	Open
Wards Affected:	All
Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer:	Mrs Siobhan Martin Head of Internal Audit 01394 444254 <a href="mailto:siobhan.martin@eastssuffolk.gov.uk">siobhan.martin@eastssuffolk.gov.uk</a>

## **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 reports attached have recently been issued to those listed on the report distribution lists.

## **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 Cabinet Member 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 STRATEGIC 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 Strategic 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 the reports' distribution lists 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 recommendation in support of effective corporate governance.

### RECOMMENDATION

That the Audit and Governance Committee comments upon the contents of the following Internal Audit Reports:

- a) General Ledger (Core Functions) 2019/20
- b) Housing Rents 2019/20

### APPENDICES

<b>Appendix A</b>	Internal Audit Reports: <ul style="list-style-type: none"><li>a) General Ledger (Core Functions) 2019/20</li><li>b) Housing Rents 2019/20</li></ul>
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### BACKGROUND PAPERS

Date	Type	Available From
2016	Public Sector Internal Audit Standards	Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a>
Jan 2020	Internal Audit Charter	Head of Internal Audit <a href="mailto:siobhan.martin@eastsoffolk.gov.uk">siobhan.martin@eastsoffolk.gov.uk</a>



# Internal Audit Report

## General Ledger (Core Functions) 2019/20

Issued by the Head of Internal Audit, June 2020

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.

Distribution List	<b>Accountable Officers:</b>	Deputy Chief Finance Officer and Deputy S151 Officer, L Rogers Chief Finance Officer and S151 Officer, S Taylor
	<b>For Information:</b>	Strategic Management Team Cabinet Member for Resources, Cllr M Cook Audit and Governance Committee Ernst & Young (External Auditor)

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Journals	0	0	1	Reasonable
Bank Reconciliation	0	0	0	Effective
Balances Brought Forward (Data Conversion to East Suffolk Council)	0	0	0	Effective
OVERALL				Effective

### 1. Executive Summary

- 1.1 The objective of the audit was to provide assurance that the Council's Financial Management System provides a fair and accurate reflection of the Council's transactions and financial position.
- 1.2 The overall assurance of **Effective** has been made on the basis that core functions are operating as expected, and although one finding has been identified, this does not materially affect the Council's financial reporting.

## ACTION PLAN FOR SERVICE AND OPERATIONAL RISKS

All identified control weaknesses have been risk assessed, with no potential High and Medium corporate risks 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 the potential corporate risk is Low. The definition of each priority level is given in the Council's Audit Framework.

1. JOURNALS					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
1.1	<p>Two journals in a sample of 25 were found to contain inconsistencies:</p> <ul style="list-style-type: none"> <li>One totalling £1,816.70 contained mismatches between the narrative and coding, and the journal could not be demonstrated as justified</li> <li>One totalling £276 was requested without codes from the service area and was miscoded by the finance officer.</li> </ul>	<p>Journals may be used to post income/expenditure to incorrect locations in the general ledger, making financial information inaccurate.</p>	<p>The two journals identified by Audit have now been corrected.</p> <p>Monthly monitoring by the accountants would pick up any significant miscodings.</p> <p>Journals over £500,000 are reviewed. Coding of grant income is reviewed and signed off monthly by accountants to ensure it is correctly coded.</p> <p>Finance will look at implementing possible sample reviews during the year within expenditure codes with a greater risk of miscodes, e.g. those codes where there is a higher volume of journals, but balancing materiality and the work involved.</p>	3	<p><b>Responsibility:</b></p> <p>Deputy Chief Finance Officer and Deputy S151 Officer</p> <p><b>Target Date:</b></p> <p>31 December 2020</p>

## 2. Supporting Details

### 2.1 Links to Council Service Delivery

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

- Business Objective - To ensure that the Council's Financial Management System provides a fair and accurate reflection of the Council's transactions and financial position.

### 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 to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2019/20, approved by the Audit and Governance Committees of Suffolk Coastal District Council (SCDC) on 12 March 2019 and Waveney District Council on 7 March 2019.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

Period under review	This audit assessed systems and records over the period April 2019 to November 2019.
Systems, Records and Personnel	The Internal Audit team reviewed Navision (the Council's Financial Management System), and associated records, and was supported by staff within the Finance team.
Known exclusions	Control Account Reconciliations Holding Accounts (Accounts structured 5****) Journal approval Cash Management - part of the agreed terms of reference for this audit, Cash Management and suspense accounts will be reported separately.

### 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 that could mean 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 could mean that objectives central to the operation of the service may not be met. Prompt management attention is required.
<b>Priority 3</b>	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
<b>Priority 4</b>	Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 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 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:

- The financial management system (FMS) has been configured to prevent the posting of imbalanced or one-sided journals
- Sampled monthly bank reconciliations between the bank and general ledger were accurate, prompt, and approved by an independent senior Finance officer
- Year End balances from Suffolk Coastal and Waveney District Council were mapped and entered into the East Suffolk Council accurately [The Year End balances reviewed were unaudited figures, due to a delay in completing the external audit of the Councils' financial statements].

## 2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Principal Auditor	F Wykes
Audit Apprentice	L Maton

## 2.6 Acknowledgements

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



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.

<b>Audit Assurance Opinion</b>	<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.

<b>Distribution List</b>	<b>Accountable Officers:</b>	Tenancy Services Manager, S Shimmon Head of Housing, C Foster-Cannan
	<b>For Information:</b>	Strategic Management Team Cabinet Member for with responsibility for Resources, Cllr M Cook Cabinet Member with responsibility for Housing, Cllr R Kerry Audit and Governance Committee Chief Finance Officer and Section 151 Officer, S Taylor Ernst & Young (External Auditor), T Poynton

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Rent Parameters	0	0	1	Reasonable
Rental Income Receipt and Allocation	0	0	3	Reasonable
Rent Arrears and Recovery	0	0	0	Effective
Reconciliations	0	0	2	Reasonable
<b>OVERALL</b>				<b>Reasonable</b>

### 1. Executive Summary

- 1.1 The objective of the audit was to assess the Tenancy Services' arrangements for ensuring rent agreed by Full Council agrees to the rent charged and accounting for rent due.
- 1.2 The overall assurance of **Reasonable** has been made based on the control framework in place and supporting risk management.
- 1.3 The findings identified during this audit will enhance and improve the financial management arrangements in place and should be achievable at an operational level with no further attention from Strategic Management.

## ACTION PLAN FOR SERVICE AND OPERATIONAL RISKS

All identified control weaknesses have been risk assessed, and no potential High or Medium corporate risks have been 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 the potential corporate risk is Low. The definition of each priority level is given in the Council's Audit Framework.

1. RENT PARAMETERS					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
1.1	<p>No evidence was provided to confirm that annual rent figures had been reviewed by a second officer prior to being uploaded onto the Orchard live accounts.</p> <p>Rent charges for 2019/2020 were agreed by Shadow Full Council on 28 January 2019.</p>	Annual rent figures could be incorrect on the Orchard Housing System, resulting in ESC not receiving all income due, or over charging tenants resulting in poor reputation.	<p>The Senior Accountant generates figures and sends to Housing Accounts and Systems Administrator for checking and upload into Orchard.</p> <p>Systems Administration will document that the figures have been checked prior to inputting on Orchard.</p>	<b>3</b>	<p><b>Responsibility:</b></p> <p>Housing Transformation Programme Manager</p> <p><b>Target Date:</b></p> <p>31 October 2020</p>

2. RENTAL INCOME RECEIPT AND ALLOCATION					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
2.1	No documentation is present to confirm that the direct debits (DD) raised from the Orchard system equal those that have been submitted. Testing found six instances of direct debit errors	Failure to address processing errors means that opportunities to identify and correct problems with payment on individual accounts may be missed: this could result in arrears going undetected and reputational harm if accounts are	A modulus check via a free website will be undertaken at the point of scanning and indexing DD forms onto Orchard, to prevent the incorrect bank accounts details being submitted to BACS so the submission will not fail.	<b>3</b>	<p><b>Responsibility:</b></p> <p>Tenant Services Manager</p> <p><b>Target Date:</b></p> <p>31 October 2020</p>

## 2. RENTAL INCOME RECEIPT AND ALLOCATION

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
	(totalling £3,649.53) that have resulted in discrepancies between Orchard and the submitted direct debits, one of which (totalling £370.72) had been identified and corrected.	corrected late and suddenly incur significant arrears.			
2.2	Details of an incident affecting the Benefits payments file in Weeks 1-5, and the associated financial adjustments, have not been recorded in the HB Summary Reconciliations spreadsheet. Audit independently confirmed that the adjusted figures do reconcile to the original.	Although there is no detrimental impact in the specific instance, the reconciliation spreadsheet does not provide a proper record for five weeks in 2019/20. If procedures do not require a proper record, where issues or imbalances occur in the future the Council may not be able to rely on its records and will need additional explanation from the staff who were present at the time.	Records for the split files will be updated to refer to the original files and the reason for the split.  If this incident occurs again, clear records will be retained detailing what happened, how it has been rectified and links to the relevant files.	3	<b>Responsibility:</b> Tenant Services Manager  <b>Target Date:</b> 31 October 2020
2.3	Requests for financial transfers were in five cases seen to include inadequate information: either the financial value to transfer was absent or justification was insufficient. System administration staff are responsible for processing and therefore do not approve or make a decision on the request, meaning that the process does not contain an expected segregation of duties that would mitigate against risks in the process.	Transfer errors may arise through poor data quality and a lack of independent verification, which could lead to the improper application of a batch transfer. E.g. there may not be appropriate justification, or the financial values calculated/used by the System Administration team may not be those expected. There is no control to prevent errors or attempts of fraud.	The internal credit refund form will be amended to include financial transfers, and this will now be required to be completed by staff. The form will be returned for full completion if the information required by Systems Administration is not included.	3	<b>Responsibility:</b> Tenant Services Manager  <b>Target Date:</b> 31 October 2020

### 3. RENT ARREARS AND RECOVERY

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
No service-level reportable findings relevant to this Control Area were identified					

### 4. RECONCILIATIONS

REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
4.1	Reconciliations between Orchard and Navision had not been completed in a timely manner (May and September reconciliations were completed in November).	<p>Errors are not identified and corrected resulting in incorrect amounts posted to rent accounts and poor reputation / loss of income due.</p> <p>The payment reconciliation is the primary control to ensure the Housing and Finance systems are aligned for income, which is of material value to the Council.</p>	Due to capacity issues, there were delays within the finance team. Reconciliations will be completed by another member of the finance team, and the Senior Accountant, Financial Planning will review the reconciliations and investigate differences.	3	<p><b>Responsibility:</b> Senior Accountant, Financial Planning</p> <p><b>Target Date:</b> 31 October 2020</p>
4.2	The reconciliation on the number of properties as per Orchard and Fixed Asset Register had not been completed in a timely manner (the 18/19-year end reconciliation was undertaken in November 2019). In addition, there was no evidence to confirm that the reconciliation had been checked for accuracy by a second individual.	Errors are not identified and corrected, resulting in inaccurate financial accounts, and the Council not receiving all income due.	<p>This reconciliation was not completed in a timely manner due to capacity issues. This will be completed by the end of June as normal going forward.</p> <p>Checks are completed in a quarterly basis and changes are reported to be updated on the asset register.</p>	3	<p><b>Responsibility:</b> Senior Accountant, Financial Compliance</p> <p><b>Target Date:</b> 31 October 2020</p>

## 2. Supporting Details

### 2.1 Links to Council Service Delivery

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

- Business Objective - Tenancy Services are responsible for providing social housing to support those in need, with associated financial duties in calculating and collecting rent, and the recovery of rent arrears.
- East Suffolk Business Plan – Financial self-sufficiency.
- Corporate Risk Register – Failure of Financial Governance.

### 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 to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2019/20, approved by the Audit and Governance Committees of Suffolk Coastal District Council (SCDC) on 12 March 2019 and Waveney District Council on 7 March 2019.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

The audit comprised a review of the following control areas:

- Rent parameters, post Full Council charge setting decision on 28 January 2019
- Rental income receipt and allocation
- Rent arrears and recovery
- Reconciliations.

Areas not covered in the audit were:

- Classification of properties as social or affordable housing
- Credit balances
- Refunds
- Anti-money laundering
- Enforcement agents
- System access
- Termination, transfer and exchange of tenancies
- Rent arrears and recovery were treated as "light-touch" reviews of procedures, with no substantive testing undertaken.



## 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 that could mean 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 could mean that objectives central to the operation of the service may not be met. Prompt management attention is required.
<b>Priority 3</b>	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
<b>Priority 4</b>	Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during 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 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:

- Tenants were given 4 weeks' notice of the 2019/20 rent charges agreed at Shadow Full Council. Tenancy documentation is clear regarding rent payment, debt recovery and tenants' rights and responsibilities.
- Direct debit runs sampled were run to schedule, and income feeder systems to Orchard had been amended to account for any discrepancies. An automatically generated report prompts the team to investigate any items entering suspense.
- Procedures for debt recovery are available to staff, and write-offs sampled were appropriately approved.

## 2.5 Audit Team

The audit team for this review comprised:

Audit Manager	L Fuller
Principal Auditor	F Wykes
Auditor	S Potter

## 2.6 Acknowledgements

We would like to thank the management and staff of Housing Services and Finance Services contacted for their co-operation and time during this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.