



Epping Forest District Council

AUDIT AND GOVERNANCE COMMITTEE Monday, 26th June, 2017

You are invited to attend the next meeting of **Audit and Governance Committee**, which will be held at:

**Council Chamber, Civic Offices, High Street, Epping
on Monday, 26th June, 2017
at 7.30 pm .**

**Glen Chipp
Chief Executive**

**Democratic Services
Officer**

Gary Woodhall
(Governance Directorate)
Tel: 01992 564470
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors: J Knapman, L Hughes, R Jennings, A Patel and J M Whitehouse.

Independent: A Jarvis and N Nanayakkara.

WEBCASTING/FILMING NOTICE

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1. WEBCASTING INTRODUCTION

I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this might infringe your human and data protection rights. If you have any concerns please speak to the webcasting officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit.

2. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

(Director of Governance) Under Article 11, paragraphs 13 – 17, of the Constitution, the Chairman and Vice-Chairman of the Committee shall be appointed at the first meeting of the municipal year for a term of one year.

Both Councillors and Co-Opted Members serving on the Committee are eligible for appointment to either role; however, if the Chairman is a Councillor then the Vice-Chairman must be a Co-Opted Member, and vice versa.

The Chairman and Vice-Chairman from the previous municipal year are eligible for re-appointment.

3. APOLOGIES FOR ABSENCE

(Director of Governance) To be announced at the meeting.

4. DECLARATIONS OF INTEREST

(Director of Governance) To declare interests in any item on this agenda.

5. MINUTES

(Director of Governance) To confirm the minutes of the last meeting of the Committee held on 27 March 2017 (previously circulated).

[Click here for Audit & Governance Minutes 27-Mar-17](#)

6. MATTERS ARISING

(Director of Governance) To consider any matters arising from the previous meeting.

7. AUDIT & GOVERNANCE WORK PROGRAMME 2017/18 (Pages 5 - 6)

(Director of Governance) To consider the attached Work Programme for 2017/18.

8. ANNUAL GOVERNANCE STATEMENT 2016-17 (Pages 7 - 18)

(Chief Internal Auditor) To consider the attached report (AGC-001-2017/18).

9. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2016/17 (Pages 19 - 28)

(Chief Internal Auditor) To consider the attached report (AGC-002-2017/18).

10. INTERNAL AUDIT MONITORING REPORT - MARCH TO JUNE 2017 (Pages 29 - 42)

(Chief Internal Auditor) To consider the attached report (AGC-003-2017/18).

11. ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR (Pages 43 - 64)

(Chief Internal Auditor) To consider the attached report (AGC-004-2016/17).

12. ANTI FRAUD AND CORRUPTION POLICY (Pages 65 - 98)

(Chief Internal Auditor) To consider the attached report (AGC-005-2017/18).

13. ANY OTHER BUSINESS

(Director of Governance) Section 100B(4)(b) of the Local Government Act 1972 requires that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

14. EXCLUSION OF PUBLIC AND PRESSExclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers:

Article 17 of the Constitution (Access to Information) define background papers as being documents relating to the subject matter of the report which in the Proper

Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection one copy of each of the documents on the list of background papers for four years after the date of the meeting. Inspection of background papers can be arranged by contacting either the Responsible Officer or the Democratic Services Officer for the particular item.

Audit & Governance Committee Work Programme 2017/18

26 June 2017

- Annual Report of the Chief Internal Auditor 2016/17..
- Audit & Governance Committee Annual Report 2016/17.
- Annual Governance Statement 2016/17.
- Anti-Fraud & Corruption Strategy.
- Internal Audit Progress Report.

18 September 2017

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts 2016/17.
- Internal Audit Progress Report.

- ❖ Annual Governance Report 2016/17.

27 November 2017

- Treasury Management Mid-Year Report.
- Internal Audit Progress Report.
- Review of the Audit and Governance Committee Terms of Reference.
- Review of the Audit and Governance Committee Effectiveness.

- ❖ Annual Audit Letter 2017/18.

5 February 2018

- Treasury Management Investment & Strategy Statements.
- Internal Audit Progress Report.
- Review of Code of Corporate Governance.
- Review of the Internal Audit Charter.

26 March 2018

- Effectiveness of Risk Management.
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2018/19.
- Internal Audit Compliance with the Public Sector Internal Audit Standards
- Corporate Fraud Team Strategy 2018/19

- ❖ Planning Letter 2018/19.
- ❖ Audit Plan 2017/18.
- ❖ Grant Claims Audit Report 2016/17.

Unallocated Items

- Information Regarding the Whistle Blowing Policy.

Key

- EFDC Officer Report.
- ❖ External Auditor Report.

N.B...In addition, the Committee's annual private meetings with the External (7pm) and Internal (7.15pm) Auditors are scheduled to take place prior to the 26 March 2018 meeting in the Conference Room.

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-001-2017/18

Date of meeting: 26 June 2017

Portfolio: Technology and Support Services

Subject: Annual Governance Statement 2016/17

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) To consider, comment upon and approve the Annual Governance Statement for 2016/17.

Executive Summary:

The Council's Statutory Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). The arrangements are designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements need to be improved.

This report provides the Committee with the opportunity to scrutinise the Annual Governance Statement.

Reasons for Proposed Decision:

Although the AGS is not subject to audit by the external auditors, it is a public document and auditors form a view of governance arrangements by comparing statements with their accumulated knowledge of systems and controls. Any significant differences between the two are likely to raise questions about the Council's willingness to acknowledge and address problem areas. Approval of the AGS should be at a corporate level and should be confirmed by the most senior Officer and Councillor signing the Statement on behalf of the Council. It is good practice for the Council to review and approve the AGS separately from the accounts, as proposed in this report, as this helps to ensure its robustness and reinforce its corporate standing. As the AGS is published, it is an opportunity to demonstrate that the Council is self-aware and has set a transparent agenda for improvement.

Other Options for Action:

No other options.

Report:

1. The Council's Statutory Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). In accordance with good practice the

governance statement has included the following information:

- (a) an acknowledgement of responsibility for ensuring there is a sound system of governance;
 - (b) an indication of the level of assurance that the systems and processes that comprise the Authority's governance can provide;
 - (c) a brief description of the key elements of the governance framework, including reference to group or partnership activities where those activities are significant;
 - (d) a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements; and
 - (e) an outline of the actions taken, or proposed, to deal with significant governance issues.
2. The production of an AGS enables the Authority to use the review process positively and proactively to deliver assurance about governance arrangements within the Authority to stakeholders, and to develop better arrangements where the review finds areas in need of improvement. The process involves a comparison of achievements against the principles set out in the Authority's Local Code of Governance, and supports an intention and commitment to provide good governance.
3. The Annual Governance Statement is the product of an annual review, by the Authority, of the effectiveness of the Council's governance arrangements. This includes an assessment of the effectiveness of its internal control arrangements. The AGS is published with the Statement of Accounts.
4. The AGS is derived partly from detailed reviews by all Service Directors of the effectiveness of the governance arrangements operating within their Directorate, by reference to a detailed checklist incorporating the key elements within the Local Code of Governance. As part of this process Directors have considered available evidence to demonstrate that these governance systems and processes are working effectively and as intended. All Directors have provided assurance statements indicating the level of assurance that can be placed on the effectiveness of key controls operating at service level. These statements are intended to be a balanced representation of the arrangements in place during the year, and to highlight those areas where improvement is required. Significant issues are commented upon in the Governance Statement.
5. Internal Audit focuses its work on providing an independent and objective opinion on the Council's internal controls, and submits an annual report and quarterly monitoring reports to this Committee, where significant audit findings and improvement areas are highlighted. The Chief Internal Auditor is required to include in the annual audit report an opinion on the overall adequacy and effectiveness of the Council's internal control environment, drawing attention to any issues that are relevant to the preparation of the Governance Statement. The annual audit report for 2016/17 is included on the agenda for this meeting, and includes an opinion that satisfactory assurance can be given regarding the adequacy of the Council's internal control, risk management and governance systems in 2016/17.

Resource Implications:

From existing resources.

Legal and Governance Implications:

Completion and approval of the Annual Governance Statement is required by the Accounts and Audit (England) Regulations 2015.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group and Directors.

Background Papers:

The following papers referred to in the preparation of the report are not attached as appendices but are available for public or Councillor study:

Accounts and Audit (England) Regulations 2015

Delivering Good Governance in Local Government (Framework and Guidance Note for English Authorities) CIPFA/SOLACE (2016 Edition)

Risk Management:

The preparation of the Annual Governance Statement is a key part of the Council's governance arrangements in demonstrating that there is a continuous review of the Council's internal control and risk management systems.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at an Appendix to the report.

EPHING FOREST DISTRICT COUNCIL

Annual Governance Statement 2016-17

1. Scope of responsibility

Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2015, in relation to the publication of a Statement on Internal Control.

2. The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the Governance Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council's Code of Governance recognises that effective governance is achieved through the following seven CIPFA/SOLACE principles.

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement.

- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (iv) Determining the interventions necessary to optimise the achievement of intended outcomes.
- (v) Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management.
- (vii) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

At their February 2017 meeting the Audit and Governance Committee agreed a new Local Code of Corporate Governance, which was updated to reflect the latest CIPFA/SOLACE guidance. It is important the Council can demonstrate that its Annual Governance Statement is aligned with its Local Code and this is set out in Appendix 1.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2017 and up to the date of approval of this Statement and the Statement of Accounts.

	The Governance Framework
	The key elements of the Council's governance arrangements for 2016/17 were:
1	The corporate plan covering 2015-2020, setting out the Council's priorities and defining the goals to be achieved
2	The Constitution, which is revised each year: <ul style="list-style-type: none"> 2.1 sets out the Council's decision-making framework; 2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer); 2.3 includes a scheme of delegation of responsibility, financial regulations and contract standing orders; and 2.4 defines codes of conduct for members and officers, and a protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. The Council's Local Code of Governance was refreshed during 2016/17
4	There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee
6	An Audit and Governance Committee
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer, Director of Communities and the Chief Internal Auditor, meeting monthly

9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly
10	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations
11	A Medium Term Financial Strategy which informs service planning and budget setting,
12	A compliments and complaints procedure
13	A risk-based approach to internal audit, emphasising the need for sound control and good value
14	A robust whistle blowing policy and process along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti-money laundering policies.

3. Review of effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the various sources noted below and concludes that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework:

Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively. For the second year, these were completed by the Directors in conjunction with their Assistant Directors;

Documentary evidence of processes, procedures and standards;

A Corporate Fraud Team, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.

The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of, substantial, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems;

The work undertaken by the External Auditor reported in their annual audit and inspection letter and other review reports;

Significant governance issues from previous years and from 2016/17.

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, who monitor and review the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table one below.

Table One: Progress on significant governance issues identified in the 2015/16 AGS

No.	Significant issue identified in 15/16 AGS	Action taken in 16/17 to address the issue
1	Procurement Rules A common theme coming out of 2014/15 internal audit reviews was non-compliance	A wide range of staff were trained on the Council's new Procurement Rules and a review of their effectiveness, led by the

	<p>with Contract Standing Orders as these had developed over time and were difficult to follow.</p> <p>On 26 April 2016 Council approved the new Procurement Rules, which replaced the Council's previous Contract Standing Orders. These provide a more flexible approach and are more responsive to the current and future procurement needs of the Council.</p>	<p>Director of Communities, concluded the new rules were generally being followed, being easier to follow.</p> <p>Refresher training will take place during 2017/18 following minor amendments proposed as a consequence of the review.</p>
2	<p>Corporate Policies</p> <p>A need to raise awareness of, and communicate changes to, corporate policies e.g. Whistleblowing Policy and Officer Code of Conduct was a common theme coming out of this years' Service Assurance Statements.</p>	<p>Partially completed as there have been periodic reminders in the staff newsletter (District Lines) on whistleblowing. The anti-fraud and corruption policy is currently being updated and a staff awareness programme will initiated to promote its contents once approved.</p>
3	<p>Project Management</p> <p>Service Assurance Statements also identified a need to develop project management processes and provide training in this area.</p>	<p>A Project and Programme Management project team was set up, sponsored by the Chief Executive, and has been meeting monthly. Via the project team an IT system solution is currently being rolled out which will include both system and project management training.</p>

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

Table Two: Areas for improvement or monitoring during 2017/18

No.	Issue	Management response
1	<p>General Data Protection Regulations (GDPR)</p> <p>It is imperative that businesses and public bodies are prepared for the GDPR which will apply in the UK from 25 May 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.</p>	<p>Work is already in hand to ensure Epping Forest is compliant with the requirements of the GDPR ahead of May 2018 and beyond.</p>
2	<p>Corporate Policies</p> <p>For the second year, Service Assurance Statements identified a need to raise awareness of, and communicate changes to, corporate policies in particular Officer Code of Conduct, data protection policies, anti-fraud and Whistleblowing.</p>	<p>A staff awareness campaign will be devised and implemented to address this and will include use of metacompliance to ensure staff have read relevant policies, articles in the monthly staff newsletter District Lines, and reminders at staff briefings.</p>

We propose over the coming year to continue to improve matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Glen Chipp
Chief Executive

Signed

Councillor Chris Whitbread
Leader of the Council

Appendix 1 Epping Forest Code of Governance

INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY & CAPABILITY	PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness in its culture and engage comprehensively with stakeholders, citizens and service users.	Have a clear vision and defined desired outcome in terms of sustainable, social and environmental benefit.	Have in place interventions necessary to optimise the achievement of its intended outcomes.	Develop the Council's capacity and capability of its leadership and staff	Manage the Council's risk and performance through robust internal control and strong public finance management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
Examples supporting the Annual Governance Statement (AGS) 2016/17						
<p>Constitution sets out code of conduct for Members and staff.</p> <p>Regularly publicised whistleblowing policy. Zero tolerance to anti-fraud and corruption.</p> <p>Clear and transparent decision making process. Section 151/Monitoring Officer part of report clearing process.</p> <p>Standards Committee</p>	<p>Published Freedom of Information and complaints/complaints scheme.</p> <p>Publicly available agenda and minutes of meetings.</p> <p>Monitoring and maintaining a record of partnerships.</p> <p>Member appointment to community organisations.</p> <p>Active consultation through the Council's Consultation policy and plan</p> <p>'Critical friend' challenge through the Council's scrutiny process.</p> <p>Revised and updated Code of Governance</p>	<p>2015-2020 Corporate Plan which is supported by service/operational plans.</p> <p>Draft Local plan that supports the Council's vision.</p> <p>Decision making process that take into account these effects on its residents, paying due regard to the public sector equality duty.</p> <p>Providing fair access to Council services offered.</p> <p>Green Charter</p>	<p>Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance.</p> <p>Decision making processes that receive objective and rigorous involvement including involvement of the Monitoring and Section 151 Officers</p> <p>Corporate approach to project management.</p>	<p>Workforce plan to enhance resource allocation</p> <p>Established induction and training programme for existing and new Councillors.</p> <p>Process includes mentoring and training events.</p> <p>Induction process for staff, access to personal development appropriate to their roles. Formal Personal Development Review (PDR) for staff and access to health and wellbeing opportunities.</p>	<p>Risk management is an integral part of the council's activities and decision making.</p> <p>Internal Audit function that provide assurance on governance, risk management and controls reporting to the Audit and Governance Committee</p> <p>Active Corporate fraud team supporting the Council's Anti-Fraud and Corruption strategy.</p> <p>Medium Term Financial Strategy.</p>	<p>Defined process to ensure reports for the public/stakeholders are fair, balanced, easily accessible and understandable.</p> <p>Reporting regularly on performance and on the use of resources.</p> <p>Processes to ensure external/internal audit recommendations are acted upon.</p> <p>Requirement for managers to produce annual assurance statements which feed into the AGS</p>
An active Corporate Governance Group which takes charge of the Annual Governance Statement						

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Appendix 2: Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Annual Governance Statement 2016/17
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Report to Audit and Governance Committee on the governance issues identified during 2016/17 and actions taken to address these.
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i>	If yes, state which protected groups:
If no, state your reasons for this decision. Go to step 7. <i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i>	If no, state reasons for your decision: The recommendations will improve governance and the effectiveness of the Audit and Governance Committee; individuals are not being targeted.

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-002-2017/18**

Date of meeting: **26 June 2017**

Portfolio: Technology and Support Services

Subject: Audit and Governance Committee Annual Report 2016/17

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That the Annual Report for the Audit and Governance Committee for 2016/17 be agreed and the report be referred to the Council.

Executive Summary:

The Annual Report of the Audit and Governance Committee outlines the Committee's work and achievements over the year ending 31 March 2017. The Annual Report helps to demonstrate to residents and the Council's other stakeholders the vital role that is carried out by the Audit and Governance Committee and the contribution that it makes to the Council's overall governance arrangements.

Reasons for Proposed Decision:

To present the Audit and Governance Committee Annual Report for 2016/17 and to recommend that the report be referred to the Council.

Other Options for Action:

None.

Report:

1. The Committee is invited to comment on the report, in particular, whether the remit of the Committee is adequately reflected in this report. It is suggested that if any substantive changes are required these are agreed with the Chairman and Vice Chairman prior to the submission of the report to Council.

Resource Implications:

These have been included in the individual reports to the Committee throughout the year.

Legal and Governance Implications:

The effective operation of the Audit and Governance Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in its annual report the Audit Committee helps the Council to maintain a high standard of corporate governance.

There is no legal or constitutional requirement for the Committee to report to the Council on its work, however, it is considered good practice to do so.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group, Chair of the Audit and Governance Committee.

Background Papers:

Minutes of Audit and Governance Committee.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at an Appendix to this report.

Glossary:

AGS – Annual Governance Statement

CIPFA – Chartered Institute of Public Finance and Accountancy

SOLACE – Society of Local Authority Chief Executives

EPPING FOREST DISTRICT COUNCIL

ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2016/17

1. INTRODUCTION

The Audit Committee was established by the Council in July 2007. Its purpose is:

- to provide independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and
- independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

Whilst there is no statutory obligation for a local authority to establish an audit committee, they are widely recognised internationally across the public and private sectors as a key component of effective governance. Similarly, it is considered good practice for the Committee to report annually to the Council on its work.

The key benefits of an effective audit committee are:

- increasing awareness regarding the effectiveness and continued development of the Council's governance arrangements;
- providing additional assurance on the robustness of the Council's governance arrangements through a process of independent and objective review;
- reducing the risks of illegal or improper acts;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- contributing to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations; and
- reinforcing the importance and independence of internal and external audit and similar review processes.

2. ASSURANCE ACTIVITY 2016/17

To help the Committee draw conclusions about the effectiveness of the Council's internal control framework, governance and risk management it gained assurances from the following sources:

Internal Audit

The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit which is discharged by the Director of Resources as Section 151 Officer. Internal Audit is a key source of assurance for both Members and management on the effectiveness of the control framework. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance.

The Committee considered and agreed reports regarding the Internal Audit Strategy, Terms of Reference and Annual Plan 2016/17, and progress by management in implementing audit recommendations. It also received regular progress reports on the performance of Internal Audit. These reports have helped in ensuring that reported weaknesses have either been addressed or the identified risks adequately mitigated by management and that there is an effective system of governance and internal control in place.

The Committee also kept under review the joint working arrangements with Harlow District Council and Broxbourne Borough Council, including audit resources to deliver the plan and benefits derived from the shared working. In February 2017 the Committee received the outcomes of the independent external quality assessment of the Internal Audit shared service against the Public Sector Internal Audit Standards (PSIAS). The overall conclusion was Internal Audit complies with the PSIAS and continues to provide an effective and efficient service to each Council (Epping Forest, Harlow and Broxbourne).

Assurance Framework / Annual Governance Statement

The Committee's terms of reference include advising on the effectiveness of the Council's assurance framework including the production of the Annual Governance Statement.

During the year, the Committee has received reports on the control framework and how the annual review and assurance process is undertaken. The Assurance Framework is compiled from various sources of assurance, for instance Directors and other key officers.

The Chief Internal Auditor provides an annual report and opinion regarding the Council's control framework. This opinion is considered by the Committee alongside other sources of assurance.

The Committee reviewed the Annual Governance Statement (AGS) for 2015/16 which identified governance issues requiring further ongoing improvement relating to:

- Procurement Rules;
- Corporate Policies; and
- Project Management.

The assurance framework remained unchanged during 2016/17 and the Council's Code of Corporate Governance was updated to ensure it was aligned to the 2016 CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. The Committee was able to be satisfied that there is a robust assurance framework in place to safeguard the Council's resources through reliance on the annual review of the Council's system of internal control and the Chief Internal Auditor's annual opinion.

Anti-Fraud and Corruption

Countering fraud and corruption is the responsibility of every Member and officer of the Council. The Committee's role in this area has been to monitor and support the

actions taken by officers to counter fraud, particularly with the setup of the Corporate Fraud Team, who work in tandem with Internal Audit.

The Committee receives reports and presentations on such work undertaken in the Council and proactive fraud work, for example participation in the National Fraud Initiative (NFI).

The Council continues to send out a strong message that fraud will not be tolerated and that where fraud is proven the strongest possible actions of redress will be taken.

Based on the work to date, coupled with no major incidences of fraud and corruption being highlighted by management, the Corporate Fraud Team or Internal Audit, the Committee concludes that there is a sound anti-fraud framework in place.

Risk Management

The Committee receives regular reports on risk management, including in March 2017 a report on the effectiveness of the arrangements for risk management highlighting the Council had continued its programme of risk management.

Treasury Management

In accordance with its Terms of Reference, the Committee reviewed the Council's Treasury Management Strategy and considered the risks associated with the Council's treasury activity and how these are managed. The Committee also considered progress reports on the treasury management function and performance against prudential indicators.

Statement of Accounts and External Auditors

At its September meeting the Committee reviewed the Council's draft Statement of Accounts for 2015/16 before recommending for adoption by the Council.

During the year the Committee received a number of reports from the External Auditors (BDO) who attend each meeting. These reports include the Annual Governance Report 15/16, Annual Audit Letter 15/16, Audit Plan 16/17, Planning Letter 17/18 and Grant Claims and Returns of Certification for the year ending March 2016. When reviewing the reports the Committee considered audit risks highlighted by the External Auditors.

3. COMMITTEE WORKING ARRANGEMENTS

The Committee has a rolling and flexible programme of work for its main areas of activity which is proactively reviewed and amended throughout the year to reflect changes in policies, priorities and risks. The Committee met five times in 2016/17. The Committee considered items which are presented annually, such as audit results, the statement of accounts, the annual governance statement, and audit plans; as well as a number of other items including treasury management as this falls under the committee's remit.

Training sessions have been held and the agreed work programme enables the Committee to provide an independent assurance to the Council as to the adequacy of the risk management framework and the associated control environment.

Members of the Committee have a wide range of both experience and professional knowledge which, coupled with it having two co-opted persons, has continued to help demonstrate its independence. The Committee has the benefit of being well supported by Council officers. This included the Director of Resources, who is also the Section 151 Officer, Director of Governance, who is also the Monitoring Officer, and the Chief Internal Auditor as well as the Council's external auditors.

To help ensure the effectiveness of the Committee, there is a training programme, comprising of formal training sessions, as well as the committee reports. This supplemented the corporate induction packs and training programme provided, particularly for new members to the Council. Ongoing training requirements are kept under review and opportunities for joint training with Harlow and Broxbourne Councils are actively sought.

In November 2017, with assistance from the Chief Internal Auditor, the committee undertook its own effectiveness review concluding the committee was able to demonstrate compliance with recommended best practice for an effective audit committee. This was coupled with a review of the Audit and Governance Committee Terms of Reference against the 2013 CIPFA model terms of reference, benchmarking with Broxbourne's and Harlow's Terms of Reference, and concluded they remain fit for purpose.

There have been no reported major breakdowns in internal control, governance and risk management that have led to a significant loss in one form or another, nor any major weakness in the governance systems that has exposed, or continues to expose, the Council to an unacceptable level of risk.

The purpose, strategy and work programme of the Committee mitigates against any major failure by the Council to obtain independent assurance in relation to the governance processes underpinning:

- An effective risk management framework and internal control environment including audit;
- The effectiveness of financial and non-financial performance (to the extent that it affects exposure to risk and poor internal control); and
- The compilation and consideration of the Annual Governance Statement.

Outcomes / Achievements

Through its work, the Committee's main outcome is in the additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and internal controls.

The Committee has added value through its activity and in particular:

- it has continued to increase the importance placed upon governance issues, particularly risk management, anti-fraud and the assurances sought that key risks are being mitigated; and
- it has continued to raise the profile of internal control issues across the Council and to seek to ensure that audit recommendations are implemented.

Conclusions

The Committee's remit is achieved firstly through it being appropriately constituted, and secondly by the Committee being effective in ensuring internal accountability and the delivery of audit and a robust assurance framework. The Committee has received and challenged reports from management and both internal and external audit.

The agreed work programme enables the Committee to provide independent assurance to the Council as to the adequacy of the risk management framework and the associated control environment.

The Committee has continued to have a real and positive contribution to the governance arrangements of the Council. The Committee's key achievement is in the

additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and the control environment.

Looking Forward

The Committee has continued to work well and has considered a wide range of different topics relating to the Council's governance framework. It has continued to establish and develop its role, particularly in respect of ensuring that there are good risk assessment / management arrangements and good governance procedures in place.

Stricter internal control and the establishment of a Committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, the Committee will continue to raise awareness of the need for internal control and the implementation of audit recommendations as well as to maintain a watching brief on the areas highlighted in the Annual Governance Statement. In addition, through a process of independent and objective reviews, the Committee is best placed to provide an additional assurance as the adequacy of the Council's overall governance arrangements.

The Committee has performed its duties as required under its terms of reference, contributing to an effective control framework. In order to build upon its achievements to date and to raise awareness of the work of the Committee during the coming year the Committee will focus on the following:

- Continue to review governance arrangements to ensure that the Council adopts best practice;
- Continue to support the work of audit and ensure that appropriate responses are provided to their recommendations;
- Continue to help the Council manage the risk of fraud and corruption;
- Provide effective challenge, particularly to officers, raising awareness of the importance of sound internal control arrangements and giving the appropriate assurances to the Council;
- Consider the effectiveness of the Council's risk management arrangements.
- Provide existing and new members to the Committee with relevant training, briefings etc. to help in discharging their responsibilities.

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Appendix A: Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Audit and Governance Committee Annual Report 2016/17
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Review of the work of the Audit and Governance Committee during 2016/17
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

<p>Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i></p> <p>If no, state your reasons for this decision. Go to step 7.</p> <p><i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i></p>	If yes, state which protected groups:
	<p>If no, state reasons for your decision:</p> <p>The report is a summary of the work reviewed in the year by the Audit and Governance Committee and has no equality implications; individuals are not being targeted.</p>

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-003-2017/18

Date of meeting: 26 June 2017

Portfolio: Technology and Support Services.

Subject: Internal Audit Monitoring Report - March to June 2017.

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That the Committee notes the progress being made against the 2017/18 Internal Audit plan and endorses the work of the Corporate Fraud Team for 2016/17.

Executive Summary:

This report updates members on the work completed by the Internal Audit Shared Service since the March 2017 Audit and Governance Committee and summarises the work of Corporate Fraud Team for 2016/17.

Reasons for Proposed Decision:

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

Other Options for Action:

No other options.

Report:

2017/18 Internal Audit Plan

1. Work has started on the 2017/18 Audit Plan as detailed in Appendix 1, although the majority of the time has been spent completing the 2016/17 Audit Plan.

Internal Audit Reports

2. The following seven reports, all awarded substantial assurance, have been issued since the Committee received its last update in March 2017:

- **Electoral Registration** – This audit focussed on the processes for maintaining the electoral register and the controls over the integrity and security of electoral data. It was found that the electoral register is well managed and there are robust processes in place to ensure the data held within it is accurate and adequately protected from loss and unauthorised access. Verification checks ensure that new electors are only added to the register once their identity has been confirmed. The electoral and open registers are available for public view and purchase in

accordance with government regulations.

- **Langston Road Development project** – This follow up review of the Langston Road Development project concentrated on the financial systems and project management processes. There are strong financial arrangements including established procedures for the approval of project expenditure, and budget monitoring processes have improved since the previous audit with the Council now receiving enhanced finance information from the project cost consultants. Project management processes remain robust and continue to include the effective management of the project risks and timetable. Regular budget meetings should continue to be held to ensure the financial status of the project is properly monitored, and a final budget meeting held on completion to formally sign off the project.
- **Recruitment of Staff** – An audit of staff recruitment was undertaken to ensure the processes around engaging staff are robust. It was found that correct procedures are followed and full pre-employment checks, including verifying the candidate's right to work in the United Kingdom, are carried out before contracts of employment are issued. A review of methods for advertising job roles should be undertaken to ensure the Council is obtaining value for money. A recommendation relating to better retention of interview assessment and induction forms has been made.
- **Housing Rents** – This audit was completed through a high level review of the systems and controls surrounding housing rent collection and rent arrears management, and found that, overall, housing rents is well managed. Annual rent charges are correctly applied and monthly reconciliations of the rents system, OHMS, to the general ledger ensure income is correctly accounted for. Rent arrears management is effective. Comprehensive debt monitoring, along with regular contact between the Housing Management Team and tenants, ensures that all the necessary support is given where there are difficulties in paying rent. It is recommended that, where the payment source of suspense account items cannot be identified, these items should be written back.
- **Management of Housing Voids** – Overall, Council Housing voids are effectively managed and provide substantial assurance over the processes. There are established policies and procedures which ensure void properties are managed in a consistent manner, and void processes are robust and provide a coordinated approach which helps to keep void times within targets. Performance of key stages in the voids process is monitored and reported. Void re-let times at the start of the year were high, but various action taken during the year, including the appointment of a Void Coordinator, has improved processes and the Council has seen a significant reduction in void re-let times. Performance should be monitored during 2017/18 to assess the longer term impact of the changes made and consideration given to amending the performance indicator target for void re-let times in the light of the results.
- **Neighbourhoods Enforcement** – An audit of enforcement processes within the Neighbourhoods directorate was carried out to ensure the processes are robust. Routine food inspections and complaints are recorded and there is a complete management trail of the action carried out. Enforcement complaints are responded to promptly and any action taken is proportionate to the offence in accordance with legislation and Council policy. Planned routine food hygiene inspections for 2016/17 were not all completed due to staffing issues, but management are taking proactive action to ensure the backlog will be completed in 2017/18 and there is no significant

risk to the Authority as the staffing issues have now been resolved.

- **Business Rates and Council Tax** - This high level review found that Council Tax and Business Rates are well managed with adequate policies and procedure notes in place for the delivery of both services. There are effective controls which ensure both databases are complete and accurate, and the liability is correctly calculated. The Section has a number of measures in place to minimise the risk of awarding fraudulent applications for reliefs, discounts and exemptions, including robust application processes, property inspections and regular reviews of all reliefs, discounts and exemptions awarded. Income is maximised through effective recovery and enforcement action and refund processes are robust.

Recommendation Tracker

3. The Audit and Governance Committee continues to receive details of all overdue recommendations, plus any high priority recommendations from final reports regardless of whether they are overdue or not.

4. The current tracker (Appendix 2) contains one medium and two low priority recommendations which have passed their due date (compared to just one medium priority recommendation in March 2017). All recommendations are monitored on a regular basis and, although not completed by their original implementation dates, progress continues to be made on agreed actions.

Table 1. Summary of tracker as at 12 June 2017.

Recommendation type	Number (as at 12 June 2017)	Number (as at 14 March 2017)
High Priority not passed its due date	0	0
High Priority passed its due date	0	0
Medium Priority passed its due date	1	1
Low Priority passed its due date	2	0

Other Internal Audit Activities

5. A number of assignments in the Audit Plan do not result in an audit report but do provide advice and guidance throughout the year on current and future issues relevant to the Council, and ultimately help to inform the Chief Internal Auditor's annual opinion. This includes Internal Audit representation on business groups and project teams. These are included below for Members' information:

- **Programme and Project Management** – The need for consistent project management methodology was highlighted in a number of audits and as an improvement area in the Annual Governance Statement. Internal Audit continues to attend the monthly project team meetings and has provided advice in the procurement and implementation of a project management system (Covalent) and development of appropriate Council-wide project management processes.

- **Information Management** – To ensure the Council is compliant with the requirements of the General Data Protection Regulations, which come into force in May 2018, it is essential there is a Council-wide Information Asset Register. Internal Audit is assisting in the design and implementation of an Information Asset Register and advising on policies and procedures relating to information management.
- **Personal Data (Payroll/HR system)** – Internal Audit is involved in the project group reviewing the processes and forms associated with the new payroll/HR system, which is currently being implemented. Advice has been provided to ensure that appropriate controls are retained in the new processes.
- **Corporate Debt Working Party** – Advice over processes and controls has been given to this group which is reviewing the Council-wide approach to debt management.

National Fraud Initiative

6. The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. Internal Audit continues to co-ordinate the extraction and uploading of the Council's data in relation to NFI, in addition to reviewing and co-ordinating the action to be taken on data matches identified. The relevant 2016/17 data has been uploaded to the NFI website and the matches have all recently been received.

7. Internal Audit and the Corporate Fraud Team work together to assess the nature of the data matches and to prioritise and further investigate any matches that may warrant it. Priority is given to areas of potential fraud that may have a high direct impact on the Council (financial, reputational etc.) including any data matches involving Council staff and Members.

Internal Audit Shared Service

8. The Internal Audit Shared Service between Broxbourne, Harlow and Epping Forest Councils, with Broxbourne being the host authority, commenced formally on 1 April 2017. To oversee the implementation and delivery of the Internal Audit function, a Shared Services Board has been created. An inaugural meeting of the Board was held on 13 February 2017 with quarterly meetings now booked for 2017/18.

9. The Service comprises three Senior Auditors and two Auditors (with another vacant Auditor post) in addition to the Chief Internal Auditor. A tender exercise is currently underway to procure external services until the auditor position is filled.

10. Staff work across all three Councils and are, therefore, able to apply their skills and knowledge to assignments at each Council. The Councils can also benefit from sharing best practice.

Corporate Fraud Team

11. Appendix 3 provides a summary of the work of the Corporate Fraud Team for 2016/17.

Audit and Governance Committee Skills and Knowledge Analysis

12. At its November 2016 meeting the Audit and Governance Committee agreed it would

be beneficial for the committee to evaluate its overall knowledge and skills, and a checklist to collate this information was approved at the February 2017 meeting. The checklist has been circulated to all members of the Audit and Governance Committee and will be distributed to any new members of the Committee following the meeting of the full Council in May. The results will be anonymised, collated and reported to the September 2017 Audit and Governance Committee.

Resource Implications:

Within the report.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

2017/18 Audit and Resource Plan.

Risk Management:

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into the Annual Governance Statement.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided as an Appendix to the report.

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Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Internal Audit
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Update report to Audit and Governance Committee on the Internal Audit Service and Corporate Fraud Team
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

<p>Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i></p> <p>If no, state your reasons for this decision. Go to step 7.</p> <p><i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i></p>	If yes, state which protected groups:
	<p>If no, state reasons for your decision:</p> <p>The recommendations affect the operational delivery of the Internal Audit Service and will help improve the effectiveness of the Audit and Governance Committee; individuals are not being targeted.</p>

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Appendix 1 - Audit Plan Monitoring 2017-18

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	Priority 1 Recs	Priority 2 Recs	Priority 3 Recs
Quarter 1										
Cyber security	Resources	16	TofR issued	n						
Health & Safety - Fire Risk Assessments	Communities	10	TofR issued	n						
House building (c/f)	Communities	10	Scoping							
Planning Applications (c/f)	Governance	5	Scoping							
Income - card payments	Resources	15	Scoping							
Health & Safety - lone working	Resources	10	Scoping							
Planned maintenance and major works	Communities	12								
Local Plan - internal resources	Neighbourhoods	5								
North Weald Airfield - establishment audit	Neighbourhoods	12								
Quarter 2										
Governance: St John's Road	Neighbourhoods	10								
Community Safety	Communities	10								
Contract register	Resources	15								
Asset Management strategy	Neighbourhoods	10								
Payroll inc new HR/payroll system	Key Financial Control	14								
Commercial property - service charges	Neighbourhoods	12								
Income - community halls	Communities	12								
Quarter 3										
vfm - agency staff	Resources	12								
Accounting system/GL	Key Financial Control	10								
Debtors	Key Financial Control	12								
Capital projects programme	Resources	14								
Housing Benefits	Key Financial Control	10								
Safeguarding	Communities	10								
Leisure management contract	Neighbourhoods	12								
Quarter 4										

BCP	Neighbourhoods	10									
Anti Social Behaviour	Communities	12									
Equality Impact Assessments	Chief Executive	12									
HR absence management	Resources	12									
Complaints	Chief Executive	10									
Key									0	0	0

c/f = carried forward from 2016/17

TofR = Terms of Reference

Appendix 2

EFDC Internal Audit Recommendation Tracker (Overdue and In Progress)

Last updated: 12 June 2017

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
Audit Recommendations 2015/16									
External Data Transfers 2015/16 Report No. 763 July 2016	1	The Council should undertake a mapping exercise of its information flows both internally and externally of the organisation. Following the mapping exercise, the Council should produce a central information asset register to include: System details, data held, classification of the data, data owner, who the information is shared with and the process by which it is shared (electronically/manual) . If an ISP has been produced, this should also be linked to the document. Once the mapping exercise has been undertaken, a formal review process should be developed to ensure that the information flow is valid and current.	Medium	Whilst some individual directorates have independent processes in place, it is recognised that there is not a corporate approach to this matter. A corporate working party to address this situation and create an Information Asset Register is being co-ordinated by the Council's Internal Audit section within the Governance Directorate.	Director of Governance	31/03/17	30/06/17	April 17: A Council-wide data mapping exercise has been undertaken. The data is now being collated into an Information Asset Register database, which will include a formal review process. May 17: The data has been collated and has been loaded onto the database. A review of the data has started.	Overdue
External Data Transfers 2015/16 Report No. 763 July 2016	3	A mechanism should be devised for monitoring compliance against agreed information sharing protocols. For example, a sample should be selected,	Low	This will be considered as part of the Information Asset Register being created as part of recommendation 1.	Director of Governance	31/03/17	31/03/18	April 17: This process will be developed along with the review process in recommendation 1, once the Information Asset Register is complete. May 17: The review process in recommendation 1 has begun and	Overdue

Appendix 2

EFDC Internal Audit Recommendation Tracker (Overdue and In Progress)

Last updated: 12 June 2017

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
		say annually, to see if the relevant department or business is complying with the agreed sharing protocol.						will include a process for monitoring compliance with information sharing protocols.	
External Data Transfers 2015/16 Report No. 763 July 2016 Page 40	6	The Council should periodically request assurance from 3rd parties that the data shared is only retained for the period it was intended, that the process for disposal in place is appropriate and in line with current best practice and legislative requirements.	Low	This will be considered as part of the Information Asset Register being created as part of recommendation one.	Director of Governance	31/03/17	31/03/18	April 17: This process will be developed along with the review process in recommendation 1, once the Information Asset Register is complete. May 17: The review process in recommendation 1 has begun and will include a process for gaining third party assurances over shared data.	Overdue

Corporate Fraud Team Annual Summary 2016/2017.

A total of 28 Right to Buy (RTB) applications have been stopped and/or withdrawn as a result of investigation team involvement. A number of these have been identified as having significant issues over the origin of the funding, giving rise to money laundering suspicions. Others were stopped due to issues such as providing false or misleading information on the RTB applications (for example: failure to declare ownership of other property or previous RTB purchases etc.).

As a result of this, approximately £2.1 million of potential RTB discount has been stopped (based on the current maximum discount of £77,900). Furthermore, 27 of these properties continue to remain as valuable public assets providing future revenue streams of approximately £1.2M in the form of rent paid to the Council.

Other investigations into suspected housing frauds have resulted in the recovery of 16 council properties which can be re-let to priority cases on the waiting list saving approximately £290,000 (based on the Audit Commission figure of £18,000 to house a family in temporary accommodation).

The team participated and were featured in a Radio 4 documentary on fraud and abuse in the Right to Buy Scheme.

A housing application was rejected due to the Corporate Fraud Team discovering the applicant had not been honest on their application.

The Corporate Fraud Team has, and continue to be, involved in a number of criminal prosecutions:

- A Waltham Abbey resident was successfully convicted in July 2016 for fraud relating to the Local Council Tax Support Scheme. The defendant failed to declare that they had substantial capital in the form of a second property which negated their entitlement to this discount from 2013. They were sentenced to 100 hours of unpaid work in the community and had to pay the Council's prosecution costs.
- A former EFDC tenant from Loughton was successfully prosecuted using The Prevention of Social Housing Fraud Act 2013 (POSHFA) for illegally subletting their Council home. The defendant, who has not yet been sentenced as they still face a number of other charges at a crown court trial in August, pleaded guilty to the POSHFA offence. The defendant surrendered the keys to the property to the investigating officers when confronted.
- An EFDC council tenant from Chigwell was successfully convicted at Chelmsford Crown Court on four charges brought under the Fraud Act 2006 relating to obtaining a council property by deception. The defendant, when applying for social housing at various stages between 2009 and 2013 repeatedly failed to declare part ownership of a residential property in East London. Despite initially entering pleas of not guilty, the defendant subsequently changed their pleas at a further court hearing and were sentenced to 15 months imprisonment for each charge (to be suspended for 12 months) and ordered to carry out 180 hours of unpaid work in the community. Officers from the Housing Department are currently taking steps to evict the tenant

from the property as it was found that due to the deception, the tenancy should never have been awarded.

- There is an active prosecution relating to various charges of fraud connected to social housing fraud which is due to go to crown court trial in October 2017. This case is also subject to Proceeds of Crime Act action for issues such as money laundering and if convicted, the Council will be pursuing claims for compensation / confiscation under the Act.
- A Formal Caution was also administered to an Ongar resident for fraud connected to a Right to Buy application.

The Corporate Fraud Team has also undertaken a number of other investigations including two staff related investigations; one of which resulted in the dismissal of a staff member for gross misconduct. The Team assisted Human Resources by undertaking a full investigation into a grievance brought by a staff member which resulted in two individuals accepting agreed outcomes.

The Corporate Fraud Team has also undertaken a Standards Investigation, for which a fee was received, with another currently ongoing.

The Team's Accredited Financial Investigator is currently providing the Planning department of Broxbourne Council with a Proceeds of Crime investigation connected to a prosecution they have brought under the planning regulations. This service is being conducted on a paid for basis and if successful, EFDC stand to receive a proportion of any financial award made by the Court.

In September 2016, a further experienced and qualified fraud investigator was successfully recruited to the team who has made good progress and contributed to the results shown above.

Members of the public are continuing to be encouraged to report fraud and an advertising campaign has been undertaken whereby "know a cheat in your street" leaflets went out in every Council Tax and Business Rates bill. The team is continuing to provide training and advice to external organisations and to explore areas showing the potential for joint working or shared service arrangements. Advice and formal training relating to the prevention and detection of social housing fraud have been provided to Officers of Harlow Council.

The Team has begun an informal joint working arrangement with Chelmsford City Council relating to the sharing of antifraud staff and resources and similar arrangements are currently being explored with at least a further two authorities in Essex.

The Corporate Fraud Team has founded The Eastern Corporate Fraud Group, which aims to bring together counter fraud professionals from local authorities in Essex, Suffolk and Norfolk in a meaningful forum to discuss and promote best practice, form agreements and partnerships for information sharing and offer support and resources to carry out investigations etc. Three successful meetings have already been held at North Weald Airfield with plans to move the group forward in the next 12 months by looking at opportunities for cross authority training etc.

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-004-2017/18**

Date of meeting: **26 June 2017**

Portfolio: Technology and Support Services

Subject: Annual Report of the Chief Internal Auditor

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) To note the Annual Report of the Chief Internal Auditor for 2016/17 and the assurance level given;
- (2) To review the contents of this report and appendices as part of their review of the Annual Governance Statement; and
- (3) To agree that for the 12 months ended 31 March 2017, the Council had operated adequate and effective governance, risk management arrangements and control processes.

Executive Summary:

This report is presented in support of the Internal Audit opinion on the adequacy of Epping Forest District Council's (EFDC) internal control environment and provides a summary of the work undertaken by Internal Audit for 2016/17.

The Accounts and Audit Regulations 2015 include a requirement for the Authority to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance. This report supports such a review.

Reasons for Proposed Decision:

To support the Committee in its review of the Annual Governance Statement

Other Options for Action:

No other options.

Report:

Introduction

1. This document summarises the results of internal audit work during 2016/17 and, as required by the Accounts and Audit (England) Regulations 2015, gives an overall opinion of the Council's governance, risk management and control framework.

Overall Opinion

2. As the internal audit service provider to the Council, I am required as the Chief Internal Auditor to provide the Council and the Chief Executive with a statement on the adequacy and effectiveness of the organisation's risk management, control and governance processes.

3. In giving an opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the organisation is a reasonable assurance there are no major weaknesses in the Council's risk management, control and governance processes.

4. In assessing the level of assurance to be given, the following have been taken into account:

- all audits undertaken during the year;
- any follow-up action taken in respect of audits from previous periods;
- high priority recommendations not accepted by management or acted upon (there were none) and the consequent risks;
- the effects of any significant changes in the Council's objectives, activities or systems;
- matters arising from previous reports to the Council;
- any limitations which may have been placed on the scope of internal audit (there have not been any);
- the extent to which resources constraints may impinge on the Chief Internal Auditor's ability to meet the full audit needs of the Council;
- what proportion of the organisation's audit need has been covered to date; and
- the results of work performed by other assurance providers including the work of the financial statement auditors.

5. As Chief Internal Auditor I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Council's risk management, control and governance processes.

Based upon the results of work undertaken during the year it is the Chief Internal Auditor's overall opinion that the Council has adequate and effective governance, risk management arrangements and control processes.

Context

6. This report outlines the work undertaken by Internal Audit covering the period 1 April 2016 to 31 March 2017.

7. Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. On behalf of the Council, Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of these arrangements.

8. Internal Audit is required by professional standards to deliver an annual internal audit

opinion and report to those charged with governance, timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

9. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

10. The primary role of Internal Audit is to provide assurance to the Council (management, Directors and the Audit and Governance Committee) and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant organisational risks and has appropriate governance arrangements to support this. Internal Audit helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.

Internal Audit Work during 2016/17

11. The 2016/17 Internal Audit Plan was presented to the Audit and Governance Committee in March 2016. The plan was prepared based on the risks associated with the Council's objectives in consultation with key officers and took into account:

- knowledge and experience accumulated in Internal Audit, including the results of previous reviews;
- a review of audit themes against the Corporate risk register and Council priorities;
- the work of other assurance providers both internally and externally; and
- the external environment including economic climate, government initiatives such as welfare reform and changes in funding.

12. The plan was designed to allow sufficient audit coverage to support the overall opinion for the Council. There have been some variations to the plan, which have been approved by the Audit and Governance Committee, and there has been sufficient internal audit coverage in order to give this opinion.

13. At the end of each assurance review a report is issued giving a formal audit assurance rating. This rating is based on an assessment of the key management arrangements and internal controls in place and measured using the following scale:

- 'Substantial' assurance – Overall, there is a sound system of control. Any weaknesses which put system/service objectives at risk will be minor and does not lead the Council to significant risk exposure.
- 'Limited' assurance – There are significant weaknesses in more than one key control area, which could put system/service objectives or the Council at risk.
- 'No' assurance – There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk.

Summary of Assurance Work

14. A total of 18 assurance reviews were completed and overall the audits are positive with them all given Substantial assurance except for one, being Limited:

- 17 Substantial assurance;
- 1 Limited assurance; and
- No report was given No assurance.

15. For the one report given Limited assurance this related to a specific area rather than representing a breakdown of controls across the Council.

16. A common theme coming out of Internal Audit work during 2016/17 is a need for the interested parties to be consulted at a much earlier stage such as Legal, Procurement and Accountancy. Although not a control weakness in itself, earlier engagement would ensure a more orderly process when letting contracts or delivering projects.

17. Appendix A sets out work carried out by the Internal Audit service during the year in narrative form and compares this to the original plan agreed by the Audit and Governance Committee March 2016. This summary includes individual audit reviews, consultancy and advice and other Internal Audit engagement activities with the Council.

18. It is important that the work of Internal Audit is aligned with the strategies, objectives, and risks of the organisation. This is set out in the Audit Strategy and Audit Plan which the Audit and Governance Committee receive each March. Appendix B lists the individual audit reports issued as part of the 2016/17 Plan. The bottom of the appendix seeks to align the work of Internal Audit for 2016/17 and against the Council's corporate risks. Overall there is good alignment but could be improved, which was identified in the November External Quality Assessment of Internal Audit. This will be kept under review during 2017/18.

Tracker process

19. Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. Recommendation categories, in order of priority are high, medium and low depending on the level of risk involved.

20. The Audit and Governance Committee receives a report of all overdue recommendations plus any high risk recommendations from final reports issued, regardless whether they are overdue or not.

21. The process continues to work well with good commitment by managers to ensure audit recommendations are implemented or there are good business reasons why there has been a delay. There are no significant issues to report regarding the implementation of audit recommendations.

Other Sources of Assurance

22. The opinion given in this annual report does not rely solely on the formal audits undertaken by the section.

23. *Special investigations:* Internal Audit and the Corporate Fraud Team investigate any allegations of fraud and suspected irregularity although there are separate arrangements for reporting, investigating and dealing with benefits fraud. A record is maintained of all reported and alleged fraud and theft which forms the basis for an annual report on fraud which is presented to the Audit and Governance Committee. There were no significant (estimated at

more than £10,000) investigations into suspected internal fraud although an internal investigation was carried out by the Corporate Fraud Team which resulted in the dismissal of a staff member for gross misconduct.

24. *Advice:* Internal Audit is most effective when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems. This includes Internal Audit acting in an ex-officio role on key business groups which in 2016/17 included:

- The Corporate Governance Group
- Risk Management Group
- Project and Programme Project Group
- Corporate and Business Planning Project Group
- Customer Self-Service Kiosk Project Group
- Corporate Debt Working Party
- Personal Data Working Party
- Procurement Rules Working Party
- E-Invoicing Group

25. In addition, Internal Audit raises awareness of control issues throughout the Council particularly through the update of key governance documents and the co-ordination and analysis of service assurance statements which feeds into the Annual Governance Statement.

26. *Anti-Fraud and Corruption work:* The Corporate Fraud Team became formally operational on 1 April 2015 and the team reports directly to the Chief Internal Auditor. The team was created in 2015 in order to bring together the Council's investigative teams to create a uniform approach to anti-fraud activities. The Corporate Fraud Team is fully established and embedded within the Council.

27. The Council also participates in the National Fraud Initiative (NFI), which is a data matching exercise run every two years. The exercise seeks to identify fraud spanning public bodies and Internal Audit is the key point of contact and facilitates and supports the Council's involvement. Internal Audit working in tandem with the Corporate Fraud Team identified through NFI an employee who was undertaking outside employment during work time which led to them being dismissed for gross misconduct.

Effectiveness

28. This section of the report sets out information on the effectiveness of the Internal Audit service and compliance with the Public Sector Internal Audit Standards (PSIAS).

29. As part of the Public Sector Internal Audit Standards it is a requirement that internal audit functions are externally assessed every five years, with the first assessment having to be completed by the end of 2017/18.

30. In November 2016 an independent assessment was undertaken of the Internal Audit shared service for Epping Forest, Harlow and Broxbourne. The External Quality Assessment (EQA) (the independent assessment) concluded the Internal Audit shared service fully complies with the Public Sector Internal Audit Standards. The EQA outcome reported has been benchmarked against other provision in both the sector and the wider industry and showed that the Internal Audit team compares favourably with regard to its peers. In addition, the EQA noted that the introduction of the shared service has benefited the three Councils and receives positive feedback from both Audit Committee Chairs as well as Executive Management.

31. The EQA identified some minor areas for improvement mainly around the need to develop aspects of the audit process to improve focus on the significant risks facing each Council in the achievement of its objectives. The recommendations contained within the report were used to help inform the Internal Audit Quality Assurance and Improvement Programme (QAIP). The QAIP includes internal and external assessments of effectiveness, both on-going and periodic monitoring and areas for improvement identified in the EQA.

32. The recommendations contained within the EQA report were used to produce an Improvement Action Plan which, along with the full EQA report, was presented to the February 2017 Audit and Governance Committee. The Improvement Action Plan has been completed in full.

33. The regular progress reports presented to the Audit and Governance Committee provide Members with the opportunity to monitor Internal Audit's output and effectiveness. Feedback on the implementation of recommendations also provides evidence of the degree of influence Internal Audit has on changes to strengthen the control framework for the Council.

34. Performance indicators are in place to monitor service performance and reported at each Audit and Governance Committee with a summary for the year presented below:

Aspect of Service	Performance Indicator	Target	Actual Year End
Audit Plan	<ul style="list-style-type: none"> Achievement of the Annual Plan 	<ul style="list-style-type: none"> 95% 	<ul style="list-style-type: none"> 84%*
Internal Audit processes	<ul style="list-style-type: none"> Issue of draft report after closing meeting 	<ul style="list-style-type: none"> 10 working days 	<ul style="list-style-type: none"> Not met (average 16 working days)
	<ul style="list-style-type: none"> Issue of final report after agreement with client to draft 	<ul style="list-style-type: none"> 5 working days 	<ul style="list-style-type: none"> Met (4 working days)
Effective management engagement	<ul style="list-style-type: none"> Management responses within 10 working days of draft report 	<ul style="list-style-type: none"> 10 working days 	<ul style="list-style-type: none"> Not met but mainly reasons beyond IA control (average 21 working days)
	<ul style="list-style-type: none"> Implementation of agreed audit recommendations 	<ul style="list-style-type: none"> Within agreed timescales 	<ul style="list-style-type: none"> Largely met (as reported by tracker)
Compliance with professional standards	Public Sector Internal Audit Standards	100% compliant	100% compliant

* This figure is based on the approved deferral/cancellation of nine audits and is an improvement on the previous year (2015/16) where 79% of the Plan was achieved. An additional three assignments were added during 2016/17 at the request of management. Other audit work carried out includes participation on project and business groups, which is difficult to quantify in terms of audit plan coverage.

35. The reasons why some performance indicators are not being met will be explored at team meetings and actions will be developed to address these.

36. Internal Audit staff participate in Continuous Professional Development including keeping abreast of best professional practice. Members of the Internal Audit team participate in various networking groups including the Essex Audit and Counter Fraud Group, Midland Audit Group and the London Audit Group, where speakers on topical issues give presentations. There are also close working relationships with other councils.

Resource Implications:

Within the report.

Legal and Governance Implications:

Within the report.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

NB: There are papers referred to in the preparation of the report which are not attached as appendices but which are available for public or Councillor study.

Public Sector Internal Auditing Standards (PSIAS) 2017
Accounts and Audit Regulations (England) 2015

Risk Management:

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. The audit reports referred to in this report assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at an Appendix to this report.

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Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Annual Report of the Chief Internal Auditor 2016/17
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Review of work of Internal Audit to support the Internal Audit opinion on the adequacy of the Council's internal control environment
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

<p>Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i></p> <p>If no, state your reasons for this decision. Go to step 7.</p> <p><i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i></p>	If yes, state which protected groups:
	<p>If no, state reasons for your decision:</p> <p>The recommendations will improve governance and the effectiveness of the Audit and Governance Committee; individuals are not being targeted.</p>

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Risk Area	Business/Risk Factors/Context	Proposed outline/scope of work for 2016/17	Year End position	Status/Assurance
Governance & Probity	The Council's governance framework underpins everything it does.	<p>Focussed audit work around the UK Bribery Act including conflicts of interest and gifts and hospitality.</p> <p>Transformation (also in projects section). Provide advice and guidance to the Head of Transformation to ensure internal controls, governance and risk management processes remain robust during the change programme</p>	<p>Conflicts of Interest and Gifts and Hospitality - Robust processes in place to ensure staff and Members make the required declarations. Need for better evidence of managers following up where declarations are made.</p> <p>Transformation - Internal Audit continues to meet regularly with the Head of Transformation and sits on a number of project groups to provide advice and share good practice seen elsewhere</p> <p>Ex-officio member of the Corporate Governance Group.</p>	<p>Conflicts of Interest and Gifts and Hospitality – substantial assurance</p> <p>Transformation – complete for 2016/17</p>
Fraud	Proactive fraud work	Co-ordinating data matching (NFI), training and awareness, interaction with corporate fraud initiatives and corporate fraud team. Potential for fraud considered in all audits.	<p>Internal Audit (IA) undertook one special investigation and continued in year work regarding the National Fraud Initiative (NFI).</p> <p>IA and the Corporate Fraud Team continue to work collaboratively on internal investigations and promoting anti-fraud awareness</p>	Complete for 2016/17

Risk Area	Business/Risk Factors/Context	Proposed outline/scope of work for 2016/17	Year End position	Status/Assurance
Assurance Framework incl Risk Management and support to Audit Committee		Coordination of year end assurance reporting and Audit Committee support and attendance. Ex Officio member of Corporate Governance Group and Risk Management Group. Assistance to Director of Resources in developing and embedding risk management	IA drove the annual review each service undertakes regarding the effectiveness of its governance, risk management and internal control arrangements. Findings and key themes/issues were reported to the Corporate Governance Group and fed into the Annual Governance Statement. Ex-officio member of the Risk Management Group.	Complete for 2016/17
Information Management and Governance Data/information features on the strategic risk register	Data protection and security. Data owners and protocols. Governance and data sharing. Training and awareness.	This year data retention and disposal processes plus Council's readiness for the new EU General Data Protection Regulation (GDPR) due May 2018	The bulk of the work of IA in this area has been assisting the Council to prepare for GDPR by building and populating a Corporate Information Asset Register. Review of data retention and disposal policies will follow in 2017/18.	Complete for 2016/17
Performance Management	Data integrity & quality (collection, collation, analysis and validation). Use of performance targets.	KPIs considered within operational audits. Plus specific review each year on a key risk area. For 16/17 Neighbourhoods as they are often reliant on third party data.	Audits have found no concerns regarding the management of performance and robustness of performance indicators used where audited. This includes gas safety, waste management and car parking income. Advisory work on the HR Sickness Absence Performance Indicator identified a need for improve quality assurance processes.	Complete for 2016/17

Risk Area	Business/Risk Factors/Context	Proposed outline/scope of work for 2016/17	Year End position	Status/Assurance
Value for Money (vfm)	Guiding principle of the Council and in the corporate risk register	VfM considered within operational audits. Specific vfm reviews could be undertaken e.g. printing and use of consultants. In 16/17 focus will be energy management.	Audits have identified where efficiencies, effectiveness and economies of scale can be achieved. Specific examples include housing voids, procurement and car parking income. Energy management not undertaken as low risk area. The Council is already proactive in this area and making savings (e.g. review of tariffs and installing solar panels).	Complete for 2016/17
Income Streams (Finance – income features on the strategic risk register)	To ensure financial resilience the Council needs to protect and maximise its income streams	Each year a portion of IA work will focus on ensuring key income streams for the Council are maintained and adequately controlled.	Covered under Key Financial Control audits – see later IA formed part of the Customer Self Service Kiosk Project Group with the kiosks going live during 2016/17.	Complete for 2016/17
Joint Working, Shared Services, Outsourcing and Partnerships	Partnerships feature on the corporate risk register	Ensuring arrangements are working in the best interest for the Council with appropriate governance and monitoring arrangements in place. For 16/17 this will include Community Safety, looking at the key partnerships in place and, linking with the safeguarding audit.	Understanding of partnership arrangements through scoping the Community Safety and safeguarding audits, which will be undertaken early 2017/18.	Community Safety deferred to 2017/18

Risk Area	Business/Risk Factors/Context	Proposed outline/scope of work for 2016/17	Year End position	Status/Assurance
<p>Projects</p> <p>(Strategic sites features on the corporate risk register)</p>	<p>Business case, project methodology, governance arrangements, contract management and viability</p>	<p>Each year examine a sample of capital and smaller projects focusing on the key risks dependent where there are in the process e.g. business case, procurement, delivery, return on investment, post project. For 16/17 this will include progress with the Langston Road retail park and the overall new homes building programme.</p> <p>In addition, we will work with the business in helping them develop a suite of templates for project managers.</p>	<p>Langston Road Development - Follow up of the 2015/16 audit found improved financial monitoring and reporting arrangements. Project management processes remain robust.</p> <p>IA is an active participant on the Project and Programme project group sharing good practice seen elsewhere and providing advice as the system based solution (Covalent) was implemented.</p> <p>In addition, IA has provided advice on a number of other project groups e-invoicing, customer self-service kiosk and corporate and business planning.</p>	<p>Langston Road Development -Substantial assurance</p>

Risk Area	Business/Risk Factors/Context	Proposed outline/scope of work for 2016/17	Year End position	Status/Assurance
Contingency	Annual provision for responsive work, special investigations or key/emerging risk areas	Will also take into account themes/issues coming out of the Annual Governance Statement. Includes preparation time for the External Quality Assessment.	The following audits were completed in addition to those agreed for 2016/17 Plan: <ul style="list-style-type: none"> Townmead Depot Health and Safety – see later under Neighbourhoods Special investigation into procurement issues which have subsequently been addressed and control weaknesses tighten through a review and reinforcement of the Council's Procurement Rules. 	Complete for 2016/17
Procurement	Themed audits - compliance, vfm, fraud, goods and services. End to end processes (need, selection, appointment, contract management & exit strategies)	The focus of IA work this year will ensure compliance with the new Contract Standing Orders (Procurement Rules), which will be covered in existing audits, as well as the management of contracts (rather than an audit of central procurement processes).	The Corporate Procurement Audit found that the Council was adhering to Financial Regulations and Contract Standing Orders (CSO). During the year CSO were replaced by the Procurement Rules and IA assisted the Council in reviewing these one year on.	Corporate Procurement – Substantial assurance
Health & Safety (H&S)	Safeguarding features on the strategic risk register	Specific H&S audits for 16/17 detailed later on – Housing H&S statutory testing/ Compliance and Depot H&S under Neighbourhoods.	See later on – gas safety within Communities and Townmead Depot under Neighbourhoods	Complete for 2016/17

Risk Area	Business/Risk Factors/Context	Proposed outline/scope of work for 2016/17	Year End position	Status/Assurance
Business Continuity Planning (BCP)	Business continuity features on the strategic risk register	Continue oversight in 16/17 with full assurance audit in 17/18. Examine IT disaster recovery (DR) as part of this year's plan (see IT audits).	IA continues an active interest through periodic meetings with the Council lead for BCP and emergency planning and attending the Risk Management Group where BCP is a standing agenda item. See later on for IT Disaster Recovery audit	Complete for 2016/17
Key Financial Controls (KFC)	Three year rolling programme of full system and key controls unless significant change in process/system or poor audit outcome	Cash & banking Payroll (deferred from 15/16) Business rates follow up Housing Rents follow up Council Tax follow up E-invoices Treasury Management (deferred from 15/16)	Robust controls continue for the Council's Key Financial systems examined. IA provided guidance on controls around implementation of electronic invoicing and the impact on the purchase order and accounting systems. Due to the recent implementation of the new HR/payroll system, iTrent, the payroll audit has been deferred until 2017/18. During 2016/17 IA formed part of the Personal Data working group which reviewed the processes and forms associated with the new system.	Substantial assurance: Cash and Banking, Treasury Management. Housing Rents follow up and Council Tax/Business Rates follow up.
IT Audits	IT Governance IT Regulation Security/Privacy Business Systems DRP/BCP Network Emerging Technologies e.g. mobile devices IT Applications Projects	IT Disaster Recovery (ITDR) IT Helpdesk	ITDR – key controls surrounding ITDR process working well and aligned with the Council's business continuity plans. System and data backups are regularly taken. 2016/17 was too early to audit the new IT helpdesk (House on the Hill) but early indications deem the system is working as expected.	IT Disaster Recovery – Substantial assurance

Risk Area	Business/Risk Factors/Context	Proposed outline/scope of work for 2016/17	Year End position	Status/Assurance
Communities (Housing capital and welfare reform features on the strategic risk register)	Housing Property Housing Operations Public Sector Housing and Communities Support	Safeguarding Mutual exchanges and tenant improvements H&S - statutory testing and compliance (gas safety) Voids to ensure there is a joined up process to ensure void turnaround times are optimised Anti-Social Behaviour (ASB) Grants to Voluntary organisations (deferred from 15/16)	Gas Safety – Robust processes for the monitoring annual safety checks, including identification of overdue checks and checks for new tenancies. Grants to Voluntary Organisations – robust controls in place ensuring that grant aid is only awarded to eligible organisations, applications are fully evaluated, appropriately approved, payments are only made following proof of expenditure. Council House Voids - robust controls provide a coordinated approach which helps to keep void times within targets. Performance of key stages in the voids process is monitored and various action taken during the year has improved processes resulting in a reduction in void re-let times Safeguarding – scoping commenced but audit deferred to 2017/18 due to IA restraints. Early indications are there are a number actions already in place to reduce the risks associated with safeguarding and a self-assessment ‘audit’ has been completed during the year as part of the Essex Safeguarding Board ASB also deferred due to IA constraints. Mutual exchanges – not explicitly audited instead reliance placed on Corporate Fraud Team proactive work with the service.	Gas Safety and Grants to Voluntary Organisations – substantial assurance Housing Voids – substantial assurance

Risk Area	Business/Risk Factors/Context	Proposed outline/scope of work for 2016/17	Year End position	Status/Assurance
Neighbourhoods (Local Plan and Economic Development features on the strategic risk register)	Neighbourhood Services Technical Services Forward Planning & Economic Development	Waste Management (deferred from 15/16) Off Street car parking (deferred from 15/16) Langston Road Depots H&S Asset Management strategy Enforcement. .	Waste Management – contract being well managed with good contract management and monitoring processes in place. Off Street car parking income – Robust controls for the management of income. Need to establish a process for the reconciliation of credit card payments, which are being phased in across the Council's car parks. Langston Road – see project section further up. The Townmead depot H&S audit found poor H&S practices which management addressed promptly. A tour by IA of the Oakwood Depot with the Council's H&S Officer confirmed that minor H&S infringements had been identified and were being addressed. Enforcement – Complaints and routine food inspections are recorded and there is a complete audit trail of the action carried out. Complaints are responded to promptly and any action taken is proportionate to the offence in accordance with legislation and Council policy. Asset management deferred to 2017/18 as audit was stalled due to other Council priorities including the Local Plan, staff absences and restructure within Forward Planning and Economic Development.	Waste Management (excluding recycling) – Substantial assurance Townmead Depot H&S – Limited Assurance Off Street car parking Income and Enforcement – Substantial assurance

Risk Area	Business/Risk Factors/Context	Proposed outline/scope of work for 2016/17	Year End position	Status/Assurance
Governance	Governance & Performance Management (see earlier for Perf Mgt) Legal Services Development Management	Electoral Registration (last audited 05/06) Planning Application processes Equality and Diversity	Electoral Registration – Robust processes to ensure effective management of the electoral register including processing new applications, removal of non-eligible electorates, verification and protection of data, and meeting legislative requirements to allow access and purchase of the electoral and open registers. Planning Application process – audit has commenced but will be reported as part of the 2017/18 Plan Equality and Diversity – audit deferred as the Council changed its approach to Equality Impact Assessments from January 2017.	Electoral Registration – substantial assurance
Resources	Human Resources Benefits and Revenues (both covered under KFC audits) Accountancy ICT & Facilities Management (IT audits covered elsewhere)	Staff selection and recruitment (deferred from 15/16) New payroll/HR system	Staff selection and recruitment – robust processes in place which were being followed including pre-employment checks. New payroll/HR system – see earlier under Key Financial Controls	Recruitment of Staff – Substantial Assurance
Follow Up Audits	Review of progress against the recommendation tracker.	Includes specific follow up audits especially where Limited assurance previously given. Includes maintaining the recommendation tracker.	Implementation of all recommendations continues to be scrutinised through the tracker process. A follow up of Langston Road, housing rents and council tax/business rates confirmed original recommendations made had been completed, improving the control environment.	Complete for 2016/17

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Appendix B - Audit Plan Monitoring 2016-17
Year End 2016/17

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High Priority Recs	Medium Priority Recs	Low Priority Recs
Conflicts of interest	Governance	10	Final Report	n	n	n	Substantial	0	2	0
Electoral Registration	Governance	10	Final Report	n	n	n	Substantial	0	0	0
PIs - sickness absence (new audit)	Resources	6	Final Report	n	n	n	N/A	0	0	0
Corporate Procurement	Resources	15	Final Report	n	n	n	Substantial	0	1	1
Cash and Banking	Resources	12	Final Report	n	n	n	Substantial	0	0	1
Treasury Management	Resources	10	Final Report	n	n	n	Substantial	0	0	1
IT Disaster Recovery	Resources	10	Draft Report	n	n		Substantial	0	3	1
Recruitment and Selection	Resources	10	Final Report	n	n	n	Substantial	0	3	1
Car Parking	Neighbourhoods	10	Final Report	n	n	n	Substantial	0	2	0
Waste Management	Neighbourhoods	10	Final Report	n	n	n	Substantial	0	2	2
Project - Langston Road follow up	Neighbourhoods	5	Final Report	n	n	n	Substantial	0	1	0
Enforcement	Neighbourhoods	10	Draft Report	n	n	n	Substantial	0	0	0
Housing Health & Safety - Gas Safety	Communities	12	Final Report	n	n	n	Substantial	0	1	1
Grants to Voluntary Organisations	Communities	8	Final Report	n	n	n	Substantial	0	0	2
Housing Voids	Communities	10	Final Report	n	n	n	Substantial	0	2	2
Housing Rents follow up	Communities	5	Final Report	n	n	n	Substantial	0	0	2
Business Rates follow up	Key Financial Control	5	Final Report	n	n	n	Substantial	0	0	0
Council Tax follow up	Key Financial Control	5	combined with Business Rates audit							
Depot Health & Safety	Neighbourhoods	12	Final Report	n	n	n	Limited	1	1	0
Planning Application Processes	Governance	8	Fieldwork in progress				To be completed as part of 17/18 Plan			
Project - New Homes	Communities	12	Fieldwork in progress				To be completed as part of 17/18 Plan			
			Totals					1	18	14

[illegible]

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-005-2017/18**

Date of meeting: **26 June 2017**

Portfolio: Technology and Support Services

Subject: Anti-Fraud and Corruption Strategy

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That the revised Anti-Fraud and Corruption Strategy be recommended to the Council for approval.

Executive Summary:

The revised Anti-Fraud and Corruption Strategy (Appendix A) brings together a number of fraud related documents including the Council's Anti-Money Laundering Policy, Bribery Policy and Fraud Response Plan and has been updated to ensure it remains in line with sector good practice and current legislation.

The fundamental messages contained within the strategy are that the Council will:

- Maintain a culture that will not tolerate fraud or corruption
- Ensure staff and Members demonstrate the highest standards of honesty and integrity at all times
- Commit to an Anti-Fraud and Corruption Strategy that covers the best practice principles of acknowledging and understanding fraud risks, preventing and deterring fraud and being stronger in pursuing fraud.
- Work in partnership both locally and nationally to tackle fraud and corruption.

This Anti-Fraud and Corruption Strategy will be implemented in part through the Corporate Fraud Team's Strategy, which was approved at the March 2017 Audit and Governance Committee and overseen by the Corporate Governance Group.

Reasons for Proposed Decision:

It is important that the Council's approach to fraud is regularly reviewed and that fraud related policies and procedures remain relevant and up to date. The current Anti-Fraud and Corruption Strategy, which was last updated in 2012, has been reviewed by the Corporate Governance Group and is presented here for comment by the Audit and Governance Committee.

Other Options for Action:

None.

Report:

Background

1. The Anti-Fraud and Corruption Strategy is an integral part of the Council's overall governance framework. It is designed to encourage prevention and promote detection of both fraud and corruption against the Council. The strategy sets out the expectation that Members, employees, individuals and organisations will be honest and fair in any dealings they may have with the Council.

2. The strategy was reviewed and updated taking into account the good practice set out in the 2016-19 Local Government Counter Fraud and Corruption Strategy, being a national strategy aimed at those charged with governance in local authorities. It sets out the approach local authorities should take and the main areas of focus over the next three years in order to transform counter fraud and corruption performance, and contains major recommendations for local authorities and other stakeholders. It supersedes the last Fighting Fraud Locally Strategy which was published in 2011.

3. It is management's responsibility to take actions to mitigate fraud risks through expecting high standards of conduct and operating strong systems of internal control. Any loss through fraud and other irregularity is a drain on resources which, in turn, reduces the amounts available for service delivery and to support those in genuine need. It is equally important that those working for and with the Council have a clear understanding of the Council's standards and expectations through effective communication and monitoring.

Ongoing review of the Council's Anti-Fraud Strategy and counter fraud resource

4. The Council will need to keep under continuous review the threats from fraud, and to ensure it allocates resources to the highest identified areas of existing and emerging risks. There is always scope to continually improve in being responsive and adaptive to emerging risks and pressures. The Council needs to continue to monitor its mechanisms for assessing the risk of fraud and having the means to share information and quantify the outcome whenever fraud occurs.

5. The Audit and Governance Committee has a key role in assessing whether the Council's framework for responding to the risk of fraud and corruption meets recommended practice and governance standards and complies with legislation. To fulfil this role the Committee will continue to receive regular updates regarding fraud work within the Council, both reactive and proactive.

6. Once approved, the revised strategy will be published on the Council's internet and intranet, and its message relayed to all staff via the staff newsletter District Lines.

7. Training will be provided as appropriate though the Corporate Fraud Team Strategy so that awareness of roles and responsibilities is further cascaded to all staff.

Summary

8. The occurrence of fraud may expose the Council to financial loss and the substantive risks associated with an inadequate control framework. This strategy is vital to promoting a Council-wide awareness of anti-fraud and corruption activities and responsibilities. It will assist the Council with managing the risk of fraud and ensure a consistent response in the event of fraud being suspected.

Resource Implications:

None, the Anti-Fraud and Corruption Strategy will be delivered within existing budgets.

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

2016-19 Local Government Counter Fraud and Corruption Strategy

Risk Management:

An occurrence of fraud could expose the Council to financial loss and the substantive risks associated with an inadequate control framework. This strategy is vital to promoting a Council-wide awareness of anti-fraud and corruption activities and responsibilities. The Strategy will assist the Council with managing the risk of fraud and ensure a consistent response in the event of fraud being suspected.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at an Appendix to this report.

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Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Anti-Fraud and Corruption Policy
Revised / new / withdrawal:	Revised
Intended aims / outcomes/ changes:	To update and promote the Council's Anti-Fraud and Corruption Policy
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

<p>Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i></p> <p>If no, state your reasons for this decision. Go to step 7.</p> <p><i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i></p>	If yes, state which protected groups:
	<p>If no, state reasons for your decision:</p> <p>The Policy sets out the Council's approach to counter fraud and corruption and applies equally to all individuals</p>

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Anti-Fraud and Corruption Strategy

May 2017

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Anti-Fraud Policy

Epping Forest District Council (EFDC) is committed to high legal, ethical and moral standards, and the proper accountability of public funds.

The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority.

The Authority's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The Authority also expects that individuals and organisations with which it comes into contact will act towards the Authority with integrity.

The key controls in place to reduce the likelihood of fraud are:

- The Authority has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption
- All Members and staff act with integrity and lead by example
- Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt
- High standards of conduct are promoted amongst Members by the standards committee
- The maintenance of a register of interests in which any hospitality or gifts accepted must be recorded
- Confidential reporting procedures are in place and operate effectively
- Legislation including the Public Interest Disclosure Act 1998 is adhered to
- Standard contract clauses prohibit fraud and corruption

Additionally, the Authority:

- Maintains a Corporate Fraud Team who plays a key role in both the prevention and investigation of matters relating to suspected fraud, corruption and abuse of council services and property.
- Uses the Internal Audit Service as an independent appraisal function for the review of the Council's internal control system as a contribution to the proper, economic, efficient and effective use of resources
- Recognises the importance of criminal prosecution in deterring fraud and will seek to prosecute offenders where appropriate
- Supports the work of the police and other external agencies in fighting fraud and corruption in the public sector.

- Is a member of the National Anti-Fraud Network (NAFN), and
- Participates in the National Fraud Initiative, which is the Cabinet Office's biennial data matching exercise designed to combat fraud.

This policy applies to suspected fraud and corruption, which concerns EFDC, involving employees, Members and/or external parties unless the matter is more properly a matter for the Police. Any investigation required will be conducted without regard to any person's relationship to EFDC, position or length of service.

Section One

Introduction

EFDC aims to provide community leadership and quality services. This strategy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs.

In applying this strategy regard will be had to all relevant EFDC policies and any obligations as an employer and the requirements of the Code of Conduct for Local Government Employees.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud and corruption as:

Fraud – *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”*.

In addition, fraud can be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the authority, which is carried out to mislead or misrepresent”*.

Corruption – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”*.

The passing of The Fraud Act 2006 into legislation created specific criminal offences surrounding fraud.

They are:

- Fraud by False Representation
- Fraud by Failing to Disclose Information (where there is a legal duty to do so)
- Fraud by Abuse of Position
- Possession of Articles for use in a fraud
- Making or Supplying Articles for use in Fraud

This policy strongly advocates the following 4 key principles in the Council's approach to combatting fraud and corruption, namely:

- **Culture** – The ongoing process of maintaining and developing a “top to bottom” anti fraud and corruption culture throughout the organisation focusing not just on employees, but members, suppliers, contractors and the public also.
- **Prevention** – Ensuring that a range of anti-fraud measures are deployed throughout the Council such as internal audits, fraud awareness sessions etc.
- **Detection and Investigation** – Where fraud and / or corruption are suspected, the Council must ensure that investigations are carried out by professional and qualified investigators to the highest standards of fairness and probity, having due regard to the appropriate legislation at all times.
- **Deterrence** – In the event of fraud and / or corruption being discovered, the Council must take appropriate steps to ensure that further instances do not occur by utilising methods such as criminal prosecution, disciplinary action, etc. The Council will also seek to obtain financial redress where public money has been lost by utilising The Proceeds of Crime Act wherever appropriate.

Section Two

Culture

EFDC will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority. Fraud risk is considered as part of the Authority's overall risk management strategy.

The prevention and detection of fraud and corruption, and the protection of the public purse is everyone's responsibility.

The Members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, irrespective of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. In order to make sure this occurs; the Council has and maintains a separate Whistleblowing Policy.

Members, employees or contractors are encouraged to raise concerns in line with the fraud response plan (section 8) if they reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:

- a criminal offence
- a failure to comply with a statutory or legal obligation
- improper unauthorised use of public or other funds
- improper use or misappropriation of assets
- a miscarriage of justice
- maladministration, misconduct or malpractice
- any other similar occurrences
- deliberate concealment of any of the above.

Management Board will ensure that any allegations received in any way, including anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to legislative requirements.

The Council has agreed the provision of a Corporate Fraud Team in order to bring a uniform approach to fraud investigation and to adequately resource the detection and prevention of fraud.

The Corporate Fraud Team (CFT) now has the remit to investigate matters of suspected fraud, theft and corruption within EFDC (with the exception of Housing Benefit fraud investigation which transferred to the Department for Work and Pensions). The CFT will, as one of its key operating principles also seek to maintain an anti-fraud and corruption culture by engaging staff, members and the general public by way of fraud awareness sessions and seeking to publicise its successes both internally and externally.

EFDC will deal firmly with those who defraud the Authority, or who are corrupt, or who are responsible for financial malpractice.

When fraud or corruption has occurred because of a breakdown in the Authority's systems or procedures, the Corporate Governance Group in conjunction with the Corporate Fraud Team and Internal Audit will ensure that appropriate improvements in systems of control are implemented to prevent a recurrence.

Section Three

Prevention

It is important that the Council recognises and manages the risks relating to fraud and corruption in order to prevent them from occurring. Furthermore, it is imperative that these risks are routinely considered as part of the Council's overall approach to risk management. In order to understand the nature of these risks, the following have been identified as key issues that are relevant to EFDC:

- Social Housing Tenancy Fraud – this includes risks such as fraudulent housing applications, mutual exchanges, illegal subletting etc.
- The Right to Buy scheme – fraudulent applications and suspected money laundering
- Money Laundering – Exposure to suspect transactions
- Council Tax – fraudulently claimed discounts (including Local Council Tax Support), refund scams
- Non-Domestic Rates – fraudulent applications for exemptions, unlisted properties
- Grants (including Disabled Facilities Grants) – false eligibility and applications, diverted funds, works not carried out.
- Insurance Fraud – suspected false claims particularly those relating to personal injury
- No recourse to public funds – fraudulent eligibility for Council services such as Social Housing
- Payroll Fraud – false and “ghost” employees, overtime and mileage claims, expenses.
- Internal Frauds – such as fund diversion, accepting bribes, stealing monies and / or Council property, social housing misallocations for personal gain, working elsewhere whilst off sick, abuse of position such as misuse of assets / resources.
- Procurement Fraud – tendering issues, split contracts, double invoicing
- Cyber Crime / Fraud – frauds such as false applications for services, fund diversion.

It is important to note that the above represents the key fraud risk areas and examples of each. It is not intended to be an exhaustive list.

As with the culture, the concept of fraud prevention applies to the organisation from top to bottom.

Members

As elected representatives, all Members of the Authority must act in accordance with statutory requirements and the Members' Code of Conduct. These matters and other guidance are specifically brought to the attention of Members at the induction course for new Members and include rules on the declaration and registration of potential areas of conflict between Members' Council duties and responsibilities, and any other areas of their personal or professional lives.

Members sign to the effect that they have read, understood and will comply with the Member's Code of Conduct when they take office. The Monitoring Officer advises Members of new legislative or procedural requirements.

Managers

Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that staff are aware of the Authority's Financial Regulations and Standing Orders, and that the requirements of each are being met in their everyday business activities. In addition, managers must make sure their staff are aware of the requirements of the Officers' Code of Conduct through the induction process.

Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the information in the Confidential Reporting Policy.

Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, the integrated benefits computer system or council tax. Managers must ensure that relevant training is provided for staff. Checks must be carried out at least annually to ensure that proper procedures are being followed.

The Authority recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.

The Authority has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held.

As with other public bodies, police checks are undertaken on employees working with children.

Further checks will be introduced in areas where an increased risk of potential fraud and corruption has been identified (for example, positions whereby a professional qualification is essential).

The Assistant Director (Human Resources) will keep under review the checks that legislation allows.

Employees

Each employee is governed in their work by the Authority's Procurement Rules and Financial Regulations, the Officer Code of Conduct and various policies. Guidelines on gifts and hospitality, and codes of conduct associated with professional and personal conduct and disclosure of interests are contained within the Staff Handbook, which is available to all staff via the corporate intranet.

Employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Authority. These will be included in induction training and procedure manuals. Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager, they can

relay their suspicions to either the Chief Internal Auditor or the Corporate Fraud Manager. Employees can also avail themselves of the Confidential Reporting Policy.

Conflicts of Interest

Both Members and employees must ensure that they avoid situations where there is a potential for a conflict of interests. Such situations can arise with externalisation of services, partnering arrangements, internal tendering, planning and land issues, etc. Effective role separation will ensure decisions made are, and are seen to be made, based upon impartial advice thereby avoiding improper disclosure of confidential information. As from 2017, the Performance Development Review process will require employees to annually confirm their position regarding any potential conflicts of interest.

Official Guidance

In addition to Financial Regulations and Standing Orders, Services will have their own procedures to prevent and detect fraud. There may also be audit reports that recommend methods to minimise losses to the Authority. Staff must be made aware of these various sources of guidance and alter their working practices accordingly.

Role of the Corporate Fraud Team

The Corporate Fraud Team role in both the prevention and investigation of instances of suspected fraud against the Council. Fraud awareness training is given to officers within the Authority to assist in ensuring that any cases referred to the team contain good quality information to assist with the investigation. All investigations are carried out in accordance with the respective legislation.

In cases where the offence is deliberate and serious enough to warrant prosecution, consideration will be given to the Council's fraud prosecution / sanction policy. If deemed appropriate legal proceedings will be undertaken in conjunction with Legal Services and / or other bodies such as the Police.

Utilising the provisions of Section 222 of The Local Government Act 1972, the Corporate Fraud Team in conjunction with Legal Services are appropriately authorised to undertake investigations and criminal prosecutions into cases of fraud and corruption that involve the Council.

The Role of Internal Audit

Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. They liaise with management to recommend changes in procedures to prevent potential or further losses to the Authority. Internal Audit will also work closely in conjunction with the Corporate Fraud Team.

The Role of External Audit

Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Authority's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of

public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Authority's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

Co-operation with Others

The Corporate Fraud Team and Internal Audit have arranged (subject to legislative requirements regarding data sharing) and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- Police
- County, Unitary and District groups
- External Audit
- Government departments
- National bodies such as The National Fraud Intelligence Bureau, Action Fraud etc.

Section Four

Detection and Investigation

The Corporate Fraud Team and Internal Audit play an important role in the detection of fraud and corruption. Included in their respective business plans are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits.

In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.

In some cases, frauds are discovered by chance or 'tip-off' and arrangements are in place to deal with such information properly.

All suspected irregularities are required to be reported (orally or in writing) either by the person with whom the initial concern was raised or by the originator, as detailed in the Authority's Confidential Reporting Policy. This will:

- ensure the consistent treatment of information regarding fraud and corruption
- facilitate a proper and thorough investigation by an investigator from the Corporate Fraud Team in accordance with the requirements of current legislation. Should a member of the Corporate Fraud Team be implicated or the subject of an investigation, either the Chief Internal Auditor or Monitoring Officer will provide a suitable, qualified investigator.

This process will apply to all the following areas:

- a) fraud/corruption by Members
- b) fraud/corruption by Authority employees
- c) fraud/corruption by contractors' employees
- d) fraud/corruption by the public/ external parties

In most cases of reported fraud and / or corruption, any allegation or suspicion will, in the first instance be investigated by the Corporate Fraud Team. Depending on the nature of the case, the CFT may consider undertaking joint investigations with other relevant parties (such as other Local Authorities, Government Departments, and the Police etc.).

Alternatively, the CFT may, in some cases, refer the investigation on to another investigating body if more appropriate to do so.

Any decision to refer a matter to the police will be taken by the Chief Executive in consultation with the Monitoring Officer, the s151 Officer, the Director of the responsible service and the Corporate Fraud Manager / Chief Internal Auditor however any investigation whereby financial impropriety is discovered, will be dealt with, normally, in the first instance by the Corporate Fraud Team. However, the mere fact that a Corporate Fraud Team and / or police investigation leads to them taking no further action will not compromise any private action/procedure or investigation that the Council may pursue.

The Authority's disciplinary procedure will be used to facilitate a thorough investigation of any allegation of improper behaviour by employees. Decisions to refer potential criminal activity by a Member to the Police will be taken by the Monitoring Officer in consultation with the Chief Executive and s151 Officer.

If a member is suspected of the specific offence of failing to disclose a Disclosable Pecuniary Interest as defined by the Localism Act 2011 the decision to refer the matter to the Police will be taken by the Monitoring Officer following an initial report by the Deputy Monitoring Officer.

Section Five

Deterrence

Criminal Prosecution

In order to strike the correct balance taking into account punishment and deterrence, the Council will undertake criminal prosecutions where it is considered evidentially appropriate and in the public interest. A corporate policy will be developed taking account of legal guidelines, to encompass the public, Members, contractors and employees. It is designed to clarify the Authority's action in specific cases and to deter others from committing offences against the authority. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings and will seek to always take a fair and balanced view on each matter according to each case's particular merits.

Disciplinary Action

Theft, fraud and corruption are serious offences against the Authority and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action may be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner.

Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the Authority. Action may be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner.

This aspect of the policy is to be read in conjunction with the powers of the Standards Committee, the delegated powers of the Monitoring Officer and deputy Monitoring Officer and the adopted Code of Conduct.

Publicity

The Council will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Authority. As a matter of course, a press release will be drafted following any successful criminal prosecution and passed to PR in order for them to ensure that the results of any action taken, are reported positively in the media. This will be particularly relevant where a financial loss to the Council has occurred and any action taken to recover any such losses will also be promoted.

Provision will also be made for publicity to be taken for any such cases whereby details cannot be made public (for example: where Formal Cautions and / or financial penalties are utilised). In these cases, any press release will contain the pertinent details but will not identify individuals by name.

From time to time, the Council may be approached by the media such as television, radio etc. in order to provide content regarding anti-fraud and corruption activities. It is acknowledged that this type of media publicity can be extremely useful in promoting anti-fraud activities and as a tool for deterrence. Should such approaches be received, they are to be considered on a case by case basis with the involvement of both PR and Corporate Governance Group at the earliest opportunity.

All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make employees and the public aware of the Authority's commitment to taking action on fraud and corruption when it occurs.

Regular reports will be made to the Audit and Governance Committee, about countering fraud and corruption activities and their success or otherwise.

Section Six

Bribery Act Policy

Objective of this policy

This policy provides a coherent and consistent framework to enable Epping Forest District Council (EFDC) Members and employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable Members and employees to identify and effectively report a potential breach.

We require that Members and all staff, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and safeguard the organisation's resources for which they are responsible
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities.

Scope of this policy

This policy applies to all of the Council's activities. For partners, joint ventures, agents and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the Council. It does not rest solely within assurance functions, but in all business units and corporate functions.

This policy covers all staff, including all levels and grades, those permanently employed, temporary agency staff, contractors, agents, elected Councillors, co-opted members of the public, volunteers and consultants.

The Council's commitment to action

The Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date
- Making all Members and employees aware of their responsibilities to adhere strictly to this policy at all times
- Training all Members and employees so that they can recognise and avoid the use of bribery by themselves and others
- Encouraging its Members and employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution

- Taking firm and vigorous action against any individual(s) involved in bribery
- Provide information to all Members and employees to report breaches and suspected breaches of this policy
- Include appropriate clauses in contracts to prevent bribery.

Facilitation payments

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

Gifts and hospitality

This policy does not change the requirements of our gifts and hospitality policy. This makes it clear that:

Sample tokens of modest value bearing the name or insignia of the organisation giving them (for example, pens, diaries or calendars) whether given personally, or received in the post, may be retained unless they could be regarded as an inducement or reward. You should refuse the offer or invitation (or return the gift) unless your Service Director has advised you that it may be accepted or retained.

Public contracts and failure to prevent bribery

Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence or “the offence of bribery”.

Organisations that are convicted of “failing to prevent bribery” are not automatically barred from participating in tenders for public contracts.

The Council has the discretion to exclude organisations convicted of this offence.

Member and Staff responsibilities

All Members and staff are required to avoid activity that breaches this policy. The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control.

Members and staff must:

- ensure that they read, understand and comply with this policy
- raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future.

Staff

- As well as the possibility of civil action and criminal prosecution, staff that breach this policy may face disciplinary action, which could result in summary dismissal for gross misconduct. Dismissal can still be an outcome with or without civil action or criminal prosecution.

Members

The Member Code of Conduct requires that where a Member acts as a representative of the authority he or she must not use or attempt to use their position as a Member improperly to confer on or secure for themselves or any other person, an advantage or disadvantage.

Allegations against a Member for breach will be routed through the Standards complaints process administered by the Monitoring Officer and Deputy Monitoring Officer.

Raising a concern

This Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want Members and each and every member of staff to know how they can raise concerns.

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

Preferably the disclosure will be made and resolved internally (e.g. to your Section Manager/Assistant Director/Director). Secondly, where internal disclosure proves inappropriate, concerns can be raised with the External Auditor or relevant professional bodies or regulatory organisations.

Concerns can be reported anonymously. In the event that an incident of bribery is reported, we will act as soon as possible to evaluate the situation. We have a clearly defined Anti Fraud Strategy which sets out procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind.

Members and staff who refuse to accept a bribe, or those who raise concerns can understandably be worried about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

The Council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery, or because of reporting a concern in good faith.

Section Seven

Anti-Money Laundering Policy

Introduction

Although local authorities are not directly covered by the requirements of the Money Laundering Regulations 2007, guidance from CIPFA indicates that they should comply with the underlying spirit of the legislation and regulations.

Epping Forest District Council is committed to the highest possible standards of conduct and has, therefore, put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

Scope of the Policy

This policy applies to all employees and contractors, whether permanent or temporary, and Members of the Council.

Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside work should contact the Police.

Definition of Money Laundering

The most common motive for crime is financial gain or to obtain valuable property. Whenever criminals do anything with that financial gain or criminal property, they 'launder' it. Money laundering offences are serious; they carry sentences of up to 14 years imprisonment, but criminals and their associates still commit them every day.

Money laundering is the process by which criminals try to hide the origin of the proceeds of their crimes, making it look as if those proceeds were acquired legitimately. In doing so, criminal property obtained unlawfully is turned into property or money that can be accessed via legitimate methods without arousing suspicion. In other words, 'laundering' is the process of turning 'dirty' money into 'clean' money.

Money laundering has three distinct phases. They are:

- Placement; the movement of criminally-obtained money into the wider economy;
- Layering; undertaking transactions (perhaps bogus) to conceal the origin of the money; and
- Integration; making it look as if money has come from a legitimate source.

Two distinct offences affect employee's contractors and Members of the Council

- Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion.
- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.

Although the term 'money laundering' is generally used to describe the activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

Successful money laundering means criminals can enjoy the fruits of their criminality and fund further criminal activity. Stopping money laundering disrupts organised crime by removing the life-blood of the 'business' and prevents low level criminals from moving up into major level crime.

Requirements of the Money Laundering Legislation

The main requirements of the legislation are:

- To appoint a money laundering reporting officer.
- Maintain client identification procedures known as know your customer (KYC) and know your business (KYB).
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Maintain record keeping procedures.

The Money Laundering Reporting Officer (MLRO)

The Council must appoint an MLRO to act as the focal point within the organisation for money laundering matters. The MLRO is responsible for:

- receiving disclosures from other staff; and
- deciding whether disclosures should be passed on to NCA.

The MLRO must keep copies of all disclosures received by them, notes of action taken and copies of all correspondence with NCA and other agencies.

Identifying and disclosing suspicious transactions

Epping Forest District Council will consider the threats to Council being used by money launderers and put systems in place to guard against them. Policies and procedures should be laid out clearly so that all relevant staff understand and have access to them.

The officer nominated to receive disclosures about money laundering activity within the Council is the Director of Resources, Bob Palmer. He can be contacted as follows:

Bob Palmer - Director of Resources
Civic Offices
Epping
Essex
CM16 4BZ

Telephone: 01992 564279.
Email: bpalmer@eppingforestdc.gov.uk

In the absence of the MLRO, the Council's Accredited Financial Investigator is authorised to deputise for him and can be contacted via The Corporate Fraud Team, telephone number 01992 564763 or by email at investigations@eppingforestdc.gov.uk

All suspicions should be reported directly to the MLRO or his deputy using the relevant documentation.

Client Identification Procedures

Although not a legal requirement, the Council has developed formal client identification procedures which must be followed when Council land or property is being sold. These procedures require individuals and if appropriate, companies to provide proof of identity and current address (KYC).

All verification documents are capable of being forged and can be bought over the internet. For this reason, industry guidance usually recommends face-to-face meetings with new clients. Excuses for non-attendance and excuses for missing documents should be explored and treated with some scepticism.

If satisfactory evidence is not obtained at the outset of a matter, then the transaction must not be progressed and a disclosure report must be submitted to the Money Laundering Reporting Officer.

All personal data must be collected, kept or destroyed in compliance with the Data Protection Act.

Reporting Procedure for Suspicions of Money Laundering

Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the Act, you must disclose this as soon as practicable to the MLRO. The disclosure should be within "hours" of the information coming to your attention, not weeks or months later.

Your disclosure should be made to the MLRO using the disclosure report; the report must include as much detail as possible including

- Full details of the people involved
- Full details of the nature of their/your involvement.
- The types of money laundering activity involved
- The dates of such activities
- Whether the transactions have happened, are ongoing or are imminent;
- Where they took place;
- How they were undertaken;
- The (likely) amount of money/assets involved;
- Why, exactly, you are suspicious.

Along with any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him to prepare his report to the National Crime Agency (NCA), where appropriate. You should also enclose copies of any relevant supporting documentation.

Once you have reported the matter to the MLRO you must follow any directions he may give you. You must NOT make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO; otherwise you may commit a criminal offence of “tipping off”.

Do not, therefore, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

Consideration of the disclosure by the Money Laundering Reporting Officer

Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. He should also advise you of the timescale within which he expects to respond to you.

The MLRO will consider the report and any other available internal information he thinks relevant e.g.:

- reviewing other transaction patterns and volumes;
- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held;

And undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.

Once the MLRO has evaluated the disclosure report and any other relevant information, he must make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether he needs to seek consent from the NCA for a particular transaction to proceed.

Where the MLRO does so conclude, then he must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless he has a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).

Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then he must note the report accordingly; he can then immediately give his consent for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO must liaise with the Council's Financial Investigator to decide whether there is a reasonable excuse for not reporting the matter to the NCA.

All disclosure reports referred to the MLRO and reports made by him to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.

Training

Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training.

Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the Council and themselves.

Notwithstanding the paragraphs above, it is the duty of officers and Members to report all suspicious transactions whether they have received their training or not.

Section 8

Epping Forest District Council Fraud Response Plan

Introduction

The Fraud Response Plan defines the way in which the Council applies its various policies and procedures to suspected instances of theft, fraud corruption and bribery. It fits in with, and is designed to be read in conjunction with the Council's Anti Fraud and Corruption Policy, Bribery Policy, Anti Money Laundering Policy and the Whistleblowing / Confidential Reporting Policy. The aim of this plan is to provide clear guidance for dealing with these issues, access to rapid relevant advice and a guide for managers on how to react and deal with suspicions of fraud, theft, corruption and bribery.

Additionally, it seeks to give a brief outline on how investigations will be progressed (although no detail will be given regarding investigation techniques etc.).

The Fraud Response Plan is designed to ensure timely and effective action in the event of suspected fraud by:

- Seeking to minimise the extent of the fraud by taking prompt action
- Preventing further losses where fraud had occurred.
- Maximising the recovery (or the chances of recovering) any financial losses
- Ensuring the accuracy and integrity of evidence for successful criminal prosecution and / or disciplinary action
- The early identification of any system weaknesses and the lessons to be learnt for preventing them in the future
- Maximising positive publicity where frauds are discovered and dealt with.
- Deterring others from any illegal / inappropriate conduct they may be committing or contemplating.

The Manager's Role in dealing with suspected fraud

First Response

Where managers suspect a fraud or involvement in a fraud is taking place, the first course of action **must** be to contact the Director of Governance, Chief Internal Auditor or the Corporate Fraud Manager who will ensure that the Section 151 Officer and the Chief Executive are informed.

Although, the Council no longer investigates Housing Benefit fraud, where a suspicion occurs of a staff member's involvement in a Housing Benefit (including Local Council Tax Support) fraud, the above steps should still be followed.

All other suspicions of benefit fraud (including Local Council Tax Support) must be reported to the Compliance Manager within the Benefits Division. Suspicions can also be reported directly to The Department for Work and Pensions (DWP) via their website (www.gov.uk/report-benefit-fraud) or by calling the National Benefit Fraud Hotline on 0800 854440 or by textphone on 0800 328 0512. It may be prudent to seek the advice of either The Corporate Fraud Manager or The Compliance Manager before contacting the DWP however, as Local Council Tax Support cannot be investigated by the DWP.

In usual circumstances, the suspicion will be passed to the Corporate Fraud Team to assess and undertake an investigation if appropriate. The Corporate Fraud Manager / Chief Internal Auditor will retain overall responsibility for the conduct of the investigation, however it is probable that the matter will be allocated to a Corporate Fraud Investigator to undertake any investigation. As part of the Internal Audit service, the Corporate Fraud Team will be independent of any service area under investigation and all of the officers comprising the Corporate Fraud Team currently are fully trained and accredited investigators each holding the qualification of Accredited Counter Fraud Officer / Specialist whilst the Corporate Fraud Manager also holds the qualification of Accredited Counter Fraud Manager.

There may be circumstances where it is appropriate for managers to undertake some preliminary enquiries to ascertain the validity of an allegation or irregularity (for example, to establish whether on the face of it, there is a case to be investigated), however before embarking on such action, advice should always be sought from a member of the Corporate Fraud Team as such action may alert the fraudster and could result in the concealing or destroying of vital evidence or compromise the investigation and the collection of further evidence.

The investigating officer will liaise and work with Human Resources at the earliest available opportunity on disciplinary matters such as suspending the staff member to enable further investigation and protect vital evidence.

Initial Enquiries

As stated above, the manager may make discreet initial enquiries in order to:

- Determine any facts that gave rise to the suspicion
- Examine any factors to determine whether there has been a genuine mistake made or whether an irregularity has occurred

Any actions and findings should be clearly recorded and documented ensuring that access is restricted (for example, not held on an “open” area of the computer network or in the case of paper notes, making sure they are securely locked away).

It is important that the suspected perpetrator is not interviewed at this stage nor any allegations / suspicions put to them. If in doubt at any point, the manager must seek the guidance of the Corporate Fraud Team or the Chief Internal Auditor.

Formal Investigation

If a formal investigation is required, it will be conducted by a qualified Corporate Fraud Investigator. The nature of the investigation, lines of enquiry followed and evidence obtained will vary depending on the irregularity being investigated and will, for the most part be fluid and reactive. Generally, however, the investigating officer will be seeking to gather evidence by way of interviews, the taking of written witness statements and the obtaining of evidence be it physical, documentary etc.

The investigating officer will consult and take advice from Human Resources particularly on matters regarding employment law, policies and procedural matters. It is imperative however, that a clear distinction must be made in these circumstances between those advising the investigating officer and those advising the staff member.

Legal Services will be consulted as appropriate to advise or seek external advice in order to support any investigation.

Any investigation will be conducted with full compliance with The Criminal Procedures and Investigations Act 1996 which governs the conduct of a criminal investigation (such as obtaining and recording evidence etc.) as well as any other legislation that may apply such as The Police and Criminal Evidence Act 1984 (PACE), The Regulation of Investigatory Powers Act 2000 (RIPA), The Human Rights Act 1998 and Data Protection Act etc. (this list is meant as an example and is not exhaustive).

In general terms however, the following principles will apply to the investigation:

- Any investigation will be conducted promptly (subject to evidence gathering activities) with periodic updates given as appropriate to the Chief Internal Auditor and / or the Director of the relevant service.
- All actions and evidence will be recorded either by written or electronic means and stored securely with access given purely on a “need to know” basis.
- Enquiries and evidence gathering activities will be undertaken as discreetly as possible with sensitivities observed where appropriate.
- Confidentiality will be maintained throughout with information only shared where circumstances and the law allows.

Where it is considered appropriate, the investigation may involve the input of other agencies such as local authorities as well as other law enforcement agencies such as the Police and HM Revenue & Customs. Liaison and / or joint working will be conducted in accordance with established guidelines and protocols.

The investigating officer must not and will not accept any offer of repayment of monies or resignation at any stage during the investigation, however any such offers

will be noted and recorded on the investigation file and reported to the Chief Internal Auditor/responsible Director.

The Council has a right to suspend any employee involved pending the outcome of an investigation. Any such suspension, is, in the opinion of the Council, a neutral act and does not imply any guilt on behalf of the suspended employee. The suspension of an employee can, in some circumstances aid the speed in which an investigation can be conducted and serve to preserve vital evidence.

When suspects are not suspended, supervision of the employee will usually need to be increased and any manager should seek the advice of Human Resources and ICT on how this can best be accomplished.

Actions following the completion of an investigation

Upon the completion of an investigation, the investigating officer will report their findings in the first instance to the Corporate Fraud Manager and Chief Internal Auditor, who will in turn make the findings known to Human Resources, relevant Director or the Chief Executive

In the case of any monetary losses, a report will be given to the Council's insurance officer.

Should any control weaknesses be identified, the Director and relevant manager will be informed and remedies be actioned immediately. The Chief Internal Auditor / Internal Audit Unit will be able to provide advice and support regarding effective control mechanisms.

Should there be disciplinary issues identified as part of the investigation, a full report will be made to Human Resources who will work with the relevant Director and manager to decide what happens next. Should any course of action result in a disciplinary hearing, the investigating officer will (if required) make themselves available to give evidence at the hearing.

Although some organisations delay the bringing of any disciplinary action pending the outcome of any criminal prosecution, the Council will seek to deal with any disciplinary matters using the appropriate processes.

Should it be the case that criminal action presents itself as an option, this decision will be fully explored and subject to the Council's Fraud Prosecution Policy. Should fraud be proven, the Council will make every effort to recover any monetary losses. The method of doing so may vary depending on the type of loss and relevant legislation, however all options will be explored including civil court proceedings and in the case of criminal prosecution, proceedings brought under The Proceeds of Crime Act 2002.