

NOTICE OF MEETING

CORPORATE COMMITTEE

Tuesday, 28th June, 2016, 7.00 pm - Civic Centre, High Road, Wood Green, N22 8LE

Members: Councillors Barbara Blake (Chair), Eddie Griffith (Vice-Chair), Charles Adje, Patrick Berryman, Isidoros Diakides, Joseph Ejiofor, Sarah Elliott, Stephen Mann, Peter Morton, Sheila Peacock, Reg Rice and Viv Ross

Quorum: 3

1. FILMING AT MEETINGS

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on. By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

The Chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual, or may lead to the breach of a legal obligation by the Council.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

3. URGENT BUSINESS

The Chair will consider the admission of any late items of urgent business. (late items will be considered under the agenda items where they appear. New items will be dealt with at item 14).

4. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

To consider any requests received in accordance with Part 4, section B, Paragraph 29 of the Council's Constitution.

6. MINUTES (PAGES 1 - 6)

To consider and agree the minutes of the meeting held on 14 March 2016.

7. INTERNAL AUDIT PROGRESS REPORT 2015/16 - QUARTER 4 (PAGES 7 - 28)

Report of the Assistant Director of Corporate Governance to detail the work undertaken by the Internal Audit and Counter Fraud Teams in the quarter ending 31 March 2016.

8. ANNUAL INTERNAL AUDIT REPORT 2015/16 (PAGES 29 - 42)

Report of the Assistant Director of Corporate Governance to inform Members of the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2015/16 and present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other bodies.

9. ANNUAL GOVERNANCE STATEMENT (PAGES 43 - 62)

Report of the Assistant Director of Corporate Governance to inform the Corporate Committee of the statutory requirements to produce an Annual Governance Statement (AGS) and provide a draft statement relating to the 2015/16 financial year for review and approval.

10. LOCAL GOVERNMENT COUNTER-FRAUD AND CORRUPTION STRATEGY 2016-19 (PAGES 63 - 128)

Report of the Assistant Director of Corporate Governance to inform Members of the Fighting Fraud and Corruption Locally (FFCL) Strategy 2016-19 (the Strategy) and the associated FFCL Companion publications.

11. ANNUAL INTERNAL AUDIT PLAN (PAGES 129 - 140)

Report of the Assistant Director of Corporate Governance for the Committee to review and approve the internal audit plan for 2016/17, together with the internal audit strategy.

12. EXTERNAL AUDIT UPDATE (PAGES 141 - 146)

Report of BDO, the Council's external auditors.

13. TREASURY MANAGEMENT OUTTURN 2015/16 AND QUARTER 1 2016/17 UPDATE (PAGES 147 - 164)

Report of the Chief Operating Officer to advise Members of treasury management activity and performance during 2015/16 in accordance with the CIPFA Treasury Management Code of Practice.

14. ANY OTHER BUSINESS OF AN URGENT NATURE

To consider any items admitted at item 3 above.

15. DATE AND TIME OF NEXT MEETING

15 September 2016, 7pm

Helen Chapman, Principal Committee Co-ordinator

Tel – 020 8489 2615

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Bernie Ryan

Assistant Director – Corporate Governance and Monitoring Officer

River Park House, 225 High Road, Wood Green, N22 8HQ

Monday, 20 June 2016

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MINUTES OF THE MEETING OF THE CORPORATE COMMITTEE HELD ON MONDAY 14TH MARCH 2016, 7PM TO 8.10PM

PRESENT:

Councillors: Barbara Blake (Chair), Eddie Griffith (Vice-Chair), Charles Adje, Isidoros Diakides, Sarah Elliott and Ali Gul Ozbek

61. FILMING AT MEETINGS

The Chair referred Members present to agenda item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein.

62. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies for absence were received from Councillors Adamou, G Bull, Ejiofor, Opoku and Ross.

Apologies for lateness were received from Councillor Elliott.

63. URGENT BUSINESS

It was noted that agenda item 7, Treasury Partnership with the GLA, had been submitted as a late report due to officer illness. The reason for the urgency of the report was that this was the last opportunity for the Committee to discuss the partnership with the GLA before it became operational.

64. DECLARATIONS OF INTEREST

There were no declarations of interest.

65. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were no such items.

66. MINUTES

RESOLVED

That the minutes of the meeting held on 8 February 2016 be approved as a correct record and signed by the Chair.

67. TREASURY PARTNERSHIP WITH GLA

The Committee considered the report on the proposed treasury management partnership with the Greater London Authority (GLA), presented by Tracie Evans, Chief Operating Officer. The Committee was asked to note that the Chief Operating Officer had exercised her delegated authority to enter into the treasury management partnership agreement with the GLA, and the report set out the background and reasons for this decision. It was noted that this had been considered by the Overview and Scrutiny Committee, who had asked whether the arrangement would lead to the Council having less control over treasury management and the Chief Operating Officer advised that this would not be the case. It was reported that it was intended to commence the partnership agreement from 1st April 2016.

Cllr Adje declared a personal interest as an employee of the London Fire and Emergency Planning Authority, who were mentioned in the report as another external client of the GLA treasury management function, but this did not constitute a disclosable pecuniary or prejudicial interest and therefore did not affect his ability to participate in discussion of this item.

The Committee asked about the cost impact of the change. The Chief Operating Officer advised that the new arrangement would not cost more than the previous arrangement of having a single post covering pensions and treasury management. It was noted that pensions and treasury management had previously been covered by a single post, which was funded partly by the Council and partly by the Pension Fund; the new dedicated pensions post would be funded entirely out of the Pension Fund and the savings to the Council of the cost of the treasury management element of the former post would be used to cover the transaction costs under the new partnership agreement, estimated at around £50-60k annually. Oversight and monitoring of the partnership would be undertaken by an existing senior finance post, as at present.

In response to a question from the Committee regarding the resources available for treasury management under the agreement, the Chief Operating Officer advised that the GLA had a larger team dedicated to treasury management, reflecting the greater amounts they were responsible for managing, and were therefore also able to negotiate more favourable interest rates due to economies of scale, which the Council would now be able to benefit from.

The Committee asked whether the Council had the option to review performance, and withdraw from the agreement in the event that there were any concerns. The Chief Operating Officer advised that the agreement would be reviewed annually and that there was the option to cease the agreement if it was felt that the GLA was not delivering the desired performance. It was noted, however, that this was unlikely and was felt to be the most appropriate way of managing the Council's risk profile. It was noted that the GLA would be operating the Treasury Management Strategy Statement as approved by Full Council, and that there was therefore no change in the risk profile. In response to a question about the length of the agreement to be entered into, it was confirmed that this would be renewable on an annual basis.

RESOLVED

That the Committee note that the Chief Operating Officer had exercised her delegated authority to enter into a treasury management partnership agreement with the GLA.

68. EXTERNAL AUDIT PLAN

The Committee considered the External Audit Plan, as presented by Leigh Lloyd-Thomas from the Council's newly appointed auditors, BDO. Mr Lloyd-Thomas gave an overview of the report, and explained some of the key terms in respect of the work to be carried out. The Committee noted the timeline for the work of the auditors and the reports back to the Committee over the coming year, as set out in the report.

In response to a request for clarification in respect of the Alexandra Park and Palace Charitable Trust, Mr Lloyd-Thomas advised that the Council, as corporate Trustee of Alexandra Palace, is considered to have control of the Palace and therefore it was included in the Council's Group accounts. As Alexandra Palace and Homes for Haringey together formed less than 1% of the Group, it was noted that there was no need for BDO to have a relationship with the auditors of either of these bodies, as this was only required where a body formed at least 15% of the Group accounts.

The Committee welcomed the explanations as provided by the external auditors.

RESOLVED

That the content of the report be noted.

69. ALEXANDRA PALACE AND PARK CHARITABLE TRUST (APPCT)

The Committee considered the report on the Council's responsibilities for oversight of the Alexandra Palace and Park Charitable Trust (APPCT), as presented by Neville Murton, Lead Finance Officer. Mr Murton asked the Committee to note that at the previous meeting it had been understood that the debt owed by APPCT to the Council was responsible for the negative position in respect of the Council's Group accounts, however subsequent to that meeting it had been ascertained that this was not the case and that this negative position was in fact due to the unfunded pensions liability relating to Homes for Haringey. The report set out the Council's capital and revenue funding support to APPCT, governance arrangements and the background and current position in respect of the debt owed to the Council by APPCT.

The Committee asked about the reduction in revenue grant to APPCT for 2017/18, and it was confirmed that this had been agreed by Full Council as part of the MTFS in February 2015.

The Committee asked about the risks associated with the current position with the debt owed by APPCT and how long this position, whereby the debt was not discharged but was not being actively repaid, would be sustainable for. The Committee also asked whether the Council would be in a legal position to recover the

debt owed, in the event that APPCT were in a financial position to do so in the future. Mr Murton advised that a significant improvement in the profitability of APPCT was the most likely cause of this issue being revisited in future and that at such a time it would be legally enforceable for the Council to seek to negotiate the repayment of the outstanding debt. The Council had taken a view that the debt could not be fully discharged while there was any chance of the money being recovered in future. It was noted that the auditors of APPCT were satisfied with the current position in respect of the debt.

In terms of the risks associated with the current position, it was noted that the Council was no better or worse off for having not discharged the debt, as this sum had been provided for in its accounts, but the current arrangement meant that the Council was covered in the event that APPCT was in a financial position to pay the debt in future.

Raymond Prince, Legal Advisor to the Committee, responded to the issues raised in respect of the legality of the arrangement and confirmed that he was satisfied that this was a legally enforceable approach. Mr Prince also noted that the Heritage Lottery Fund was also satisfied with the current position, as evidenced by their significant financial support for the current regeneration work at Alexandra Palace. In respect of the £6.8m of capital resource provided by the Council to APPCT for the regeneration work, it was confirmed that this was a one-off provision, which was spread over several years as the project progressed. It was noted that preliminary work was currently taking place, with Phase 2 of the work scheduled to commence in October or November 2016, with the project due to take a further 18 months to two years from that point.

The Committee asked whether potential investors in the Palace would be aware of the debt owed to the Council, in response to which Mr Murton advised that the debt did not appear in the APPCT accounts, as there was no immediate prospect of the debt being repaid and that investors would therefore not necessarily be aware of the debt in respect of the accounts. In response to concerns as to the legality of this, it was confirmed that this treatment was in compliance with accounting practices and that in reality APPCT had confirmed its intention to share information regarding the debt and had done so with the HLF. Mr Prince clarified that the treatment of the debt in technical accounting terms and its treatment as part of commercial negotiations were very different in nature and that it would be expected that such information would be shared, or revealed, as part of any commercial negotiations.

In response to a question from the Committee, it was confirmed that the value of the debt was solidified at £45m; further capital funding of the APPCT by the Council was treated as grant funding, and there was also no interest applied to the amount owed. It was noted that, as liability for the funding of the Palace and Park remained with the Council, there was no benefit to the Council in allowing the value of the debt to continue to increase.

The Committee asked who the decision on the current treatment of the debt had been made by, and whether this had been a public decision. It was agreed that information on this would be provided to the Committee.

Action: Chief Operating Officer

RESOLVED

That the content of the report be noted.

70. ANY OTHER BUSINESS OF AN URGENT NATURE

There were no new items of urgent business.

71. DATE AND TIME OF NEXT MEETING

Tuesday 28 June 2016, 7pm (subject to the agreement of the 2016/17 calendar at Full Council on 17 March 2016).

The Chair noted that this was the last meeting of the Corporate Committee that Neville Murton would be attending, as he was moving on to a new role in another Local Authority. The Chair and Committee thanked Mr Murton for all of his work and support to the Committee and wished him the very best in his new role.

The Chair thanked the Committee, external auditors and officers for their support over the past municipal year.

The meeting closed at 8.10pm.

CHAIR: Councillor Barbara Blake

Signed by Chair

Date

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Report for: Corporate Committee – 28 June 2016

Item number: 7

Title: Internal Audit Progress Report 2015/16 – Quarter 4

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Anne Woods, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: anne.woods@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision: Information**

1. Describe the issue under consideration

- 1.1 This report details the work undertaken by the Internal Audit and Counter Fraud Teams in the quarter ending 31 March 2016 and focuses on:
- Progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised – work undertaken by the external provider (Mazars); and
 - Details of pro-active and reactive investigative work undertaken relating to fraud and/or irregularities – work undertaken by the in-house counter Fraud Team.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 The Corporate Committee is recommended to note the audit coverage and counter-fraud work completed.

4. Reasons for decision

- 4.1 The Corporate Committee is responsible for monitoring the completion of the annual internal audit plan and the implementation of agreed recommendations as part of its Terms of Reference.
- 4.2 In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee on the work undertaken by the Internal Audit Service in completing the 2015/16 annual audit plan, together with the responsive and pro-active fraud investigation work. Where further action is required or recommended, this is highlighted with appropriate recommendations for the Corporate Committee.

5. Alternative options considered

- 5.1 Not applicable.

6. Background information

6.1 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Mazars.

7. Contribution to strategic outcomes

7.1 The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work completed by Mazars is part of the framework contract which was awarded to the London Borough of Croydon and extended to 31 March 2018, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget. The maintenance of a strong internal audit function and a proactive and reaction fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and advises that there are no direct legal implications arising out of the report.

8.3 Equality

There are no direct equality implications for the Council's existing policies, priorities and strategies. However, ensuring that the Council has effective governance arrangements in place and takes appropriate action to improve these where required will assist the Council to use its available resources more effectively.

This report deals with how risks to service delivery are managed across all areas of the Council, which have an impact on various parts of the community. The report also contains details of how fraud investigation work is undertaken and pro-active fraud projects are managed; preventing and detecting fraud will assist in improving services to residents.

9. Use of Appendices

Appendix A – Mazars Progress report – Internal audit

Appendix B – In-house Team – investigations into financial irregularities

10. Local Government (Access to Information) Act 1985

Not applicable

11. Performance Management Information

11.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management. Table 1 below shows the targets for each key area monitored and gives a breakdown between the quarterly and cumulative performance.

Table 1

Ref.	Performance Indicator	4 th Quarter	Year to date	Target
1	Internal Audit work (Mazars) – Days Completed vs. Planned programme	100%	87%	95%
2	Priority 1 recommendations implemented at follow up	100%	100%	95%
4	Tenancy fraud – properties recovered	13	40	40
5	Right to Buy – fraudulent applications prevented	74	149	80

13. Internal Audit work – Mazars

- 13.1 The activity of Mazars for the fourth quarter of 2015/16 is detailed at Appendix A. Mazars planned to deliver 200 days of the annual audit plan (691 days) during the quarter and actually delivered 223 days audit work during the quarter. Although the overall completion rate of the plan, to final report stage, is below expected no issues have been identified to prevent completion of the plan as most of the reports outstanding have been issued in draft. Ongoing monthly contract monitoring reviews ensure that performance levels are kept under review.
- 13.2 Members of the Corporate Committee receive detailed summaries of all projects for which a final report has been issued on a monthly basis to allow for any concerns which members may have to be considered in a timely manner. Appendix A provides a list of all final reports which have been issued during the quarter.

14. In-house Counter-Fraud Team: Fraud investigation/Pro-active work

14.1 Internal employee investigations

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees. Appendix B details the individual cases that were completed by the team in the fourth quarter 2015/16 relating to Council employees.

Within the fourth quarter, six new cases relating to permanent and temporary employees were referred to the Fraud Team. Four cases were completed during the quarter: evidence was found to substantiate the allegations made in two cases relating to agency employees, who were both dismissed, no evidence was found to substantiate the allegations in other cases closed although recommendations were made to improve controls in service areas to minimise risks in future. The Fraud Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible.

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. Seven whistle blowing referrals were made during Quarter 4, five of which were anonymous, making a total of 24 referrals in 2015/16.

Three referrals related to non-financial issues and were referred to the relevant Assistant Directors and HR for their investigation. Four referrals related to both financial and non-financial issues and these were investigated by HR and the Fraud Team; no evidence was found to substantiate the allegations in two cases. Two investigations are ongoing.

14.2 Tenancy Fraud – council properties

In 2015/16, the numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

2015/16 – Referrals received

Brought forward from 2014/15		61
2014/15 cases not previously included		31
Tenancy Management Officer	91	
Fraudcall (freephone and email)	16	
Pro-active exercises	8	
Public	1	
Other LA	1	
Other Haringey Service	15	
Total referrals received in 2015/16		132
Total referrals received for investigation		224

2015/16 Outcomes

Properties Recovered	40	
No Fraud identified	96	
Total cases concluded		136
Ongoing Investigations		88*

***See Note 1 below**

Note 1: Of the 88 ongoing investigations; 28 of these cases (32%) are where tenancy fraud has been identified and court proceedings were in progress as at 31 March 2016. This gives a total of 68 properties where tenancy fraud has been proven for 2015/16. The property will be included in the 'recovered' data when the keys are returned and the property vacated.

The Fraud Team are liaising with Legal Services on individual cases to ensure these are progressed as quickly as possible. For the ongoing investigations where tenancy recovery is in progress; the status of the tenancy has been investigated and the case is either awaiting a Court Hearing, the Particulars of Claim are with Legal Services, an NTQ is awaiting expiry, a succession application has been refused and the tenant is awaiting an offer of smaller accommodation, or the rent account is showing an 'Unauthorised Account' on the Housing database.

Financial Values 2015/16

The Audit Commission valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, mainly relating to average Temporary Accommodation (TA) costs.

No new national indicators have been produced, therefore although this value is considered low compared to potential TA costs if the property has been identified as sub-let for several years, Audit and Risk Management continue to use this figure of £18k per property for reporting purposes.

In 2015/16, 40 properties have been recovered through the actions and investigations of the Fraud Team; therefore **a total value of £720k** can be attributed to the recovery, or cessation, of fraudulent tenancies. If all remaining investigations are concluded and 68 properties are recovered, the total financial value of the tenancy fraud work would exceed **£1.2 million** for the 2015/16 financial year.

The Fraud Team works with Homes for Haringey (HfH) to target and investigate housing and tenancy fraud, which forms part of HfH's responsibilities in the Management Agreement. The DCLG provided funding to local authorities to support tenancy fraud work and Haringey agreed with HfH that they would second a Tenancy Management Officer to the Fraud Team (with the DCLG grant paid to HfH to enable cover for the TMO to be obtained) to undertake reactive tenancy fraud investigations. This grant funding ended in May 2015, with no further grant funding available from the DCLG or other sources. HfH have continued to fund the seconded officer directly after the end of the DCLG grant, and this agreement has been extended to 31 March 2017, with the Fraud Team part funding the secondment in 2016/17.

The Fraud Team will continue to work with HfH to identify the most effective use of fraud prevention and detection resources across both organisations to enable a joined up approach to be taken, especially where cases of multiple fraud are identified e.g. tenancy fraud, right to buy fraud and benefit fraud. The longer term solution for tenancy fraud prevention and detection, including investigation resources, will be developed during 2016/17.

14.4 Right-to-buy (RTB) applications

Over 200 applications have been referred to the Fraud Team in 2015/16; and the team currently has approximately 305 ongoing applications under investigation. The team reviews every RTB application to ensure that any property where potential benefit or succession fraud is indicated can be investigated further.

In 2015/16, 149 applications have been withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or the requirement to complete money laundering processes.

Overall, the 149 cases represent **over £15.3m** in RTB discounts and means the properties are retained for social housing use.

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**Internal Audit
Quarter 4 Internal Audit Report
2015/16
London Borough of Haringey**

Contents

	Page
Executive Summary	1
Audit Progress and Detailed Summaries	3
Statement of Responsibility	12

Executive Summary

Introduction

This is our fourth quarter report to the Corporate Committee for the 2015/16 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the Council which have been identified during the course of our internal audits. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Corporate Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports.

The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

As a reminder, our recommendations are prioritised according to the following categories:

- Priority 1* - major issues for the attention of senior management
- Priority 2* - other recommendations for local management action
- Priority 3* - minor matters and/or best practice recommendations

Key Highlights/Summary of Quarter 4 2015/16:

2015/16 Internal Audits finalised in the quarter:

- Adoption & Fostering
- Better Care Fund
- Parks Events
- Sport & Leisure Capital Works
- Treasury Management
- Accounts Receivable
- Gladesmore Secondary School

INTERNAL AUDIT - QUARTERLY AUDIT REPORT 2015/16

APPENDIX A

- The Willow Primary School
- Earlsmead Primary School
- Lea Valley Primary School
- Muswell Hill Primary School
- St Mary's Priory RC Infant & Junior School

2015/16 Internal Audits drafts issued in the quarter:

- Community Alarms
- Commercial Property
- Special Educational Needs and Disabilities
- Community Engagement – Noel Park
- New Homes
- Strategic Finance
- Cash Receipting
- Housing benefits
- NNDR
- Accounting & General Ledger
- St Gilda's Primary School
- Highgate Primary School

School Follow Ups undertaken

- Park View Academy
- Bruce Grove Primary School
- Chestnuts Primary School
- Crowlands Primary School
- South Haringay Junior School
- South Haringay Infant school

2014/15 Internal Audit Final Reports issued

- DBS Checks
- Sustainable Investment Fund
- Elections 2014 Expenditure & Expenses
- HUI Programme
- Annual Governance Statement

Audit Progress and Detailed Summaries

The following table sets out the audits finalised in Quarter 4 of 2015/16 financial year and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

Detailed summaries of all audits which do not receive ‘Full’ or ‘Substantial’ assurance ratings are also provided for Members’ information.

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
2015/16							
Adoption & Fostering	June 15	Apl 16	Limited	N/A	0	8	1
Better Care Fund	Jan 16	Mar 16	Full	N/A	0	0	0
Parks Events	Sept 15	Mar 16	Substantial	N/A	0	2	0
Sport & Leisure Capital Works	Oct 15	Apl 16	Full	N/A	0	0	0
Treasury Management	Dec 15	Mar 16	Substantial	↔	0	1	1
Accounts Receivable	Dec 15	Feb 16	Substantial	↔	0	2	1
2014/15							
DBS Checks	Nov 15	Jan 16	Substantial	N/A	0	4	0
Sustainable Investment Fund	Nov 15	Jan 16	Substantial	N/A	1	6	0
Elections 2014 Expenditure & Expenses	Aug 15	Apl 16	Substantial	N/A	0	1	0
HUI Programme	Nov 15	Jan 16	N/A Advisory	N/A	0	1	0
Annual Governance Statement	Mar 16	Apl 16	Full	N/A	0	0	0

As part of the 2015/16 Internal Audit Plan we have visited the following schools, completed a probity audit and during Quarter 4 issued a final report.

School	Date of Audit	Date of Final Report	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
Gladesmore Secondary School	Dec 15	Mar 16	Substantial	0	1	2
The Willow Primary School	Nov 15	Feb 15	Substantial	0	3	3
Earlsmead Primary School	Jan 16	Mar 16	Limited	1	12	3
Lea Valley Primary School	Oct 15	Apl 16	Substantial	0	7	2
Muswell Hill Primary School	Dec 15	Apl 16	Substantial	0	1	1
St Mary's Priory RC Infant & Junior School	Oct 15	Feb 16	Substantial	0	3	3

Audit area	Scope	Status/key findings	Assurance
Priority 1 – Outstanding for all (Children’s Services)			
<p>Adoption and Fostering</p>	<p>Audit work was undertaken to cover the following areas:</p> <ul style="list-style-type: none"> • Governance • Document, Policies and Procedures • Referrals and Assessment • Cost and Value for Money • Expenditure • Performance management and reporting 	<p>Weaknesses in the system of internal controls are such as to put the client’s objectives at risk. The key findings are as follows:</p> <ul style="list-style-type: none"> • An up to date Foster Register is in place which includes the date that each foster carer was approved, notes of approval, and status of each carer. There was no of formal record of Adopters maintained by the Placement & Adoption Service. • The Getting to Good Action Plan, which was compiled as a result of an Ofsted inspection between May and June 2014 that graded Children’s Services and the Local Safeguarding Children’s Board as requires improvement, is managed robustly by a "Getting to Good" Board made up of senior leads across all service areas. The Board reports directly to the Haringey 54000 transformation programme in order to help to ensure that all other improvement programme activities are aligned to the delivery of the Ofsted recommendations. Examination of the Haringey Getting to Good Action Plan determined that the recommendations raised in the document are those highlighted in the Ofsted report. It was identified that there was no action lead and 60 actions with an end date prior to July 2015 had a Green ‘RAG’ rating - meaning that the action is still open. However, we could not confirm whether these actions were followed up and completed as evidence of subsequent updates was not provided. Additionally, three actions were identified, two with no start and end dates and one with no end date. There was also no evidence to confirm that these were subsequently completed. • A Service Delivery Plan developed for the Placement and Adoption Service is in place, which sets how the Council priorities are to be achieved by the Directorate. The Plan sets out 10 objectives under Corporate 5: Priority 1 of the Corporate Plan Key Priorities and details how the objectives are to be measured, frequency and timescale for review, and progress. We were informed that this was formally approved but no evidence of approval could be provided. 	<p>Limited</p>

Audit area	Scope	Status/key findings	Assurance
		<ul style="list-style-type: none"> • Discussion with the Team Manager established that a Business Process review has not been undertaken since 2012 when a Fostering Service Report was produced. At February 2016, we were informed that work was commencing on a review of workflow within Mosaic but this is still at an early stage. • The most recent meeting of the North London Adoption Consortium (NLAC) Adoption Managers meeting was held on 8th January 2016, and as per the minutes, the meeting was attended by the Service Manager and Head of Service. Most recent meeting of the NLAC Fostering Managers meeting was on 9th October 2015 and was attended by the Service Manager. • Procedure notes have not been updated and refreshed in Child Care Procedural Manual. • CIPFA Looked After Children Benchmarking Club completes an annual comparison of the service and costs of providing the Children Looked After Service across London and other Councils, which includes the Adoption Service, using the returns submitted by Councils based on their annual accounts. We were provided with a benchmarking report produced by the CIPFA Children Looked After Benchmarking Club dated 9th December 2014 and was based on the 2011/12 accounts. The report shows the number of looked after children, a breakdown of looked after children by type of care, age profile of looked after children and unit costs. However, the report does not include Haringey. We were informed that the data was not provided to CIPFA for the period; therefore no comparison was done. As benchmarking data was not submitted to CIPFA for inclusion in the CIPFA Benchmarking report (2014), there were no findings to report on the Adoption Service. Information was provided for the 2015 review. A report dated 10th February 2016 has been received but is yet to be reviewed by management. • Monthly reports of Adoption and Fostering Services performance indicators are produced and reviewed by Senior Management No evidence of this review was presented to us. The Cabinet has agreed key performance targets for the Adoption and Fostering 	

Audit area	Scope	Status/key findings	Assurance
		<p>Services.</p> <ul style="list-style-type: none"> • Individual staff performance objectives are linked to the team, or service, objectives as agreed in the annual performance appraisal process. • Eligibility criteria for potential adopters have been set and adhered to. • Once a potential adopter has received information about adoption, they will either decide that adoption is right for them or not. Should they wish to move onto the next stage they will need to formally register their interests to enter stage 1 of the approval process. They will need to complete and submit a Register of Interest form. From this point they are referred to as potential adopters. • Stage one begins when the Adoption agency accepts the registration of interests in adoptions and should normally not take more than two months to complete. Stage one focuses on initial training and preparation and on ascertaining through prescribed checks and references, whether there is any absolute reason why the prospective adopter should not proceed further. All prescribed checks and references are carried out during Stage one in parallel with initial training and preparation. • A Prospective Adopters Workbook is provided to potential adopters who will complete the workbook and return it to the North London Consortium. The purpose of this document is to guide the potential adopters understanding of adoption. • Once an enquiry has been received, applicants are offered to attend an information session for fostering by the Fostering Team • Fostering Applicants submit a register of interest. • Form F is completed after a full assessment has been undertaken of the potential foster carer and submitted to the Fostering Panel. The Chair of the Panel signs and approves the recommendations. • The Agency Decision Maker signs off the Panel Recommendations as approved • Testing conducted on a sample of five adoption applicants on 	

Audit area	Scope	Status/key findings	Assurance
		<p>Mosaic confirmed the following:</p> <ol style="list-style-type: none"> 1. No evidence of initial visits for two of the five cases by the social worker; (1500412 and 1511660). 2. No evidence for two of the five cases, that applicants have attended a foundation (training) day; (1509602 and 1515784). 3. No evidence for two of the five cases, whether an adopters workbook has been completed; (1509602 and 1515784). 4. No evidence for four of the five cases whether the Prospective Adopters report has been signed off as approved by the Adoption Team Manager before the case is presented to the Panel. (1500412, 1515784, 1509602 and 1511660). <ul style="list-style-type: none"> • Testing conducted on a sample of five foster carer applicants confirmed the following: <ol style="list-style-type: none"> 1. No evidence of initial enquiry in four of the five cases; (69497, 137597, 301439 and 1011621). 2. No evidence for four of the five cases, whether the applicants attended a preparation group; (69497, 137597, 301439 and 1011621). 3. No evidence for three of the five cases as to when the register of interest was submitted; (1082858, 69497, 137597 and 301439). 4. No evidence for four of the five cases of an initial visit by the social worker; (69497, 137597, 301439 and 1011621). 5. No evidence for all five cases as to when the applicants attended Skills to Foster training; 1082858, 69497, 137597, 301439 and 1011621). 6. No evidence for two of the five cases, as to when the personal checks were completed, although in these two cases, each case was presented to the Panel and also approved by the Agency Decision Maker which will only take place once they have assurance that personal checks have been completed. (301439 and 1011621). • Annual Framework-I Purchase Order is raised for each Adopter and Foster Carer and approved by Manager. • Weekly Framework-I payment schedule is run by a Finance 	

Audit area	Scope	Status/key findings	Assurance
		<p>Officer for all certified Adopters and Foster carers. The weekly run produces details of those payments not processed and listed under 'errors' which are resolved by the Finance Officer for inclusion in subsequent payment runs.</p> <p>As a result of our audit work we have raised eight Priority 2 and one Priority 3 recommendation, which should assist in improving the control environment.</p> <p>The Priority 2 recommendations are as follows: There was no formal record of Adopters maintained by the Placement & Adoption Service. This was confirmed through discussion with the Service Manager. The information provided for sample testing was a list prepared by the Service Manager and it did not identify the date each adopter was approved by the Panel.</p> <p>There is no legal requirement to hold a register of adopters. However a central record of all adopters is in place, though date of approval is not added. Adopters are allocated to adoption social workers and therefore there is no risk that there will be adopters who are unknown to the Council. Date of approval to be added to the record of approved adopters. Deadline April 2016</p> <p>Haringey's 'Getting to Good' action plan should include the responsible lead for the implementation of each action. Actions need to be followed up, completed and evidenced. Updates to the Action Plan should be recorded and monitored.</p> <p>Actions relating to adoption and fostering to be reviewed and outstanding actions to be transferred to the service plan. The Getting to Good Board has been subsumed into the Quality and Performance Network Board. Deadline April 2016</p> <p>The Service Delivery Plan should be finalised prior to being disseminated across the Service and evidence of approval should be</p>	

Audit area	Scope	Status/key findings	Assurance
		<p>retained.</p> <p>Placements Service Plan, which includes adoption and fostering, is being drafted by Head of Service Deadline April 2016</p> <p>A Business Process Review should be conducted for both Adoption and Fostering Service.</p> <p>Business Review underway. This cannot be completed until decisions made in regard to whether fostering assessments are undertaken internally or continue to be outsourced. Deadline April 2016</p> <p>The Adoptions Team Manager should check and sign the Prospective Adopters Report to ensure it is adequate once it has been completed by the Social Worker. The Manager should also ensure that the report has been approved before being submitted to the Adoption Panel.</p> <p>All prospective adopter reports are approved for presentation to the adoption panel by the team manager currently. However it is agreed that signed copies should be on file. Procedure to be compiled to state that cases cannot go to panel unless signed copies are presented to panel administrator. Deadline April 2016</p> <p>The Adoption Panel Meeting minutes, which include recommendations regarding the suitability of the adopter, should be signed off as agreed by the Chair of Adoption Panel.</p> <p>Ensure signed copies of minutes are placed on the file. Deadline Immediate effect</p> <p>The Adoption Team should review assessments not completed within required timescales to identify underlying reasons and agree actions to ensure all future prospective adopters are assessed in a timely manner. Where delays occur in the assessment process, these should be comprehensively documented within the Prospective Adopters Report (PAR) and highlighted at the Adoption Panel.</p>	

Audit area	Scope	Status/key findings	Assurance
		<p>Review of recording of the Stage 2 process is currently underway and will be incorporated into the assessment procedure. Deadline April 2016</p> <p>The Adoption and Fostering service needs to ensure that information regarding initial enquiry, submission of registration of interest, evidence of initial visit, attendance of foundation day & preparation groups by applicants, evidence of personal checks completed, adopters workbook completed by applicants and authorisation by Managers of the Prospective adopters Report should be retained and uploaded on Mosaic to demonstrate that the correct processes have been duly followed. There also needs to be a clear audit trail so information is promptly available in case of a query.</p> <p>Procedure review underway and changes to be reflected in new procedure of assessment of adopters. Deadline April 2016</p> <p>The Priority 3 recommendation is as follows: Procedures should be reviewed following significant changes in legislation. Where this occurs before the deadline for review has elapsed, proposed changes to the document during the formal review should be highlighted and included as an appendix.</p> <p>Review to be undertaken. Deadline April 2016</p>	

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited**London****May 2016**

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IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/15- 31/03/16

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 31/03/2016	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
Children and Young People's Services	Alleged misuse of position	1	1	1	Employee Resigned	
Children and Young People's Services	Alleged misuse of position	1	1	0	Employee Resigned (agency)	
Children and Young People's Services	Alleged conflict of interest	1	0	0	N/A	
Children and Young People's Services	Alleged provision of false reference	1	0	0	N/A	
Chief Operating Officer	Alleged running a business during contracted hours	1	0	0	N/A	
Chief Operating Officer	Alleged theft of kitchen stock	1	0	0	N/A	
Chief Operating Officer	Alleged Misuse of Blue Badge	1	1	1	Employee Resigned	
Chief Operating Officer	Alleged flexitime abuse	1	0	0	N/A	

IN HOUSE AUDIT – IRREGULARITIES INVESTIGATED 01/04/15- 31/03/16

Directorate	Irregularity Type	No. of cases investigated	No. of cases proven at 31/03/2016	No. of Officers subject to Disciplinary Investigation	Disciplinary Outcome	Value (£) (if known)
Chief Operating Officer	Alleged fraudulent housing application/ overpayment of benefits	1	1	1	Employee dismissed	
Chief Operating Officer	Alleged bribery offences	1	0	0	N/A	
Chief Operating Officer	Alleged bribery offences	1	0	0	N/A	
Regeneration, Planning and Development	Alleged bribery offences	1	0	0	N/A	
Adult Social Services	Alleged mismanagement of care home	1	0	0	N/A	
Adult Social Services	Alleged misuse of blue badge	1	1	0	Employee Dismissed (agency)	
Adult Social Services	Alleged misuse of blue badge	1	1	0	Employee Dismissed (agency)	
TOTAL		15	6	3		

Report for: Corporate Committee – 28 June 2016

Item number: 8

Title: Annual Internal Audit Report 2015/16

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Anne Woods, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: anne.woods@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision: Information**

1. Describe the issue under consideration

- 1.1 To inform Members of the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2015/16 and present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other bodies.
- 1.2 This report also fulfils the relevant statutory requirements and the Corporate Committee's terms of reference.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the Corporate Committee notes the content of the Head of Audit and Risk Management's annual audit report and assurance statement for 2015/16.

4. Reasons for decision

- 4.1 The Corporate Committee is responsible reviewing the Annual Internal Audit Report as part of the required statutory processes. The report also supports the Council's Annual Governance Statement.
- 4.2 In order to facilitate this, reports are provided on a quarterly basis to the Corporate Committee on the work undertaken by the Internal Audit Service in completing the 2015/16 annual audit plan, together with the responsive and pro-active fraud investigation work.

5. Alternative options considered

- 5.1 Not applicable.

6. Background information

- 6.1 One of the terms of reference for the Corporate Committee is 'to consider the Head of Audit and Risk Management's annual report and a summary of Internal

Audit activity (actual and proposed) and the level of assurance it can provide about the Council's corporate governance arrangements.'

- 6.2 In addition, the mandatory 2013 UK Public Sector Internal Audit Standards (PSIAS) state:
- The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its 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.
 - 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.

- 6.3 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Mazars.

7. Contribution to strategic outcomes

- 7.1 The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work completed by Mazars is part of the framework contract which was awarded to the London Borough of Croydon and extended to 31 March 2018, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

The report includes a number of estimates of the value of fraud uncovered by the work of the team; the Council will always seek to recover this where possible and in many instances this has been achieved. Even where full recovery has not yet been possible the investigatory work has prevented further losses.

Two of the largest areas of activity concern housing – tenancy and RTB fraud. The financial benefits to the Council of the housing tenancy fraud work will be realised as properties are recovered and returned to the Council's portfolio. The Cabinet Office estimates that the costs of fraudulent tenancies and unauthorised sub-letting equate to £18k per annum per property, mainly relating to additional costs for temporary accommodation. Preventing fraudulent Right to Buy applications ensures that properties are retained within the social housing stock and discounts of up to £103k per property are not allocated to those who are not entitled to receive them.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and advises that in view of the fact that the Annual Audit Report has been compiled in accordance with legislative requirements and industry best practice standards, there are no direct legal implications arising out of the report.

8.3 Equality

There are no direct equality implications for the Council's existing policies, priorities and strategies. However, ensuring that the Council has effective governance arrangements in place and takes appropriate action to improve these where required will assist the Council to use its available resources more effectively. Internal Audit supports this process by providing assurance on key risks and controls and recommendations for improvement where necessary.

9. Use of Appendices

Appendix A – Annual Internal Audit Report 2015/16

10. Local Government (Access to Information) Act 1985

Not applicable

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Annual Report on Internal Audit Activity 2015/16

1. Role of Internal Audit

- 1.1 The requirement for an internal audit function is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must: *‘Undertake and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*
The standards in relation to internal audit are contained in the mandatory 2013 UK Public Sector Internal Audit Standards (PSIAS).
- 1.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The 2015 Regulations require the Council to review, at least annually, the effectiveness of its system of internal control. Internal audit plays an important role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should strengthen the control environment and ultimately contribute to achieving the organisation’s objectives.
- 1.3 Internal Audit services for Haringey Council, excluding the investigation of allegations of fraud and corruption, are provided by Mazars Public Sector Internal Audit Ltd (Mazars) as part of the framework contract awarded to the London Borough of Croydon and extended to 31 March 2018, in accordance with EU regulations.

2. Internal Audit Approach

- 2.1 To assist the Council in meeting the relevant audit standards and achieving its objectives, internal audit provide a combination of assurance and advisory activities. Assurance work involves assessing how well the systems and processes are designed and working; advisory activities are available to help improve systems and processes where required.
- 2.2 A full range of internal audit services has been provided in forming the annual opinion. The approach to each audit review is determined by the Head of Audit and Risk Management, in discussion with Mazars and service management and will depend on: the level of assurance required; significance of the area under review; and risks identified.
- 2.3 A report is issued for every project in the annual audit plan which provides an overall audit opinion according to the seriousness of the findings. In addition, each recommendation is given a priority rating, to assist service management in prioritising their work to address agreed recommendations. The overall classification relates to the findings at the time of the audit work.

3. Internal Audit Opinion

- 3.1 The Head of Audit and Risk Management is responsible for delivering an annual audit opinion and report that can be used by the Council to help inform its Annual Governance Statement. The annual audit opinion should provide a

conclusion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

3.2 Internal audit work, using a risk based approach, included reviews of those systems, projects, and establishments to discharge the Chief Financial Officer's responsibilities under s151 of the Local Government Act 1972; the 2013 UK Public Sector Internal Audit Standards; and the 2015 Accounts and Audit (England) Regulations.

3.3 In providing the annual audit opinion reasonable, but not absolute, assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance given, I have taken account of:

- Reports on all internal audit work completed during 2015/16, including any advisory work and briefings to management;
- Results of follow up exercises undertaken;
- Any reviews completed by external review bodies;
- The resources available to deliver the internal audit plan; and
- The compliance with PSIAS of Mazars.

3.4 **Audit Opinion 2015/16:**

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council's internal control environment.

I have considered the work completed by Mazars and the in-house counter-fraud investigation staff for 2015/16. This includes reviews of internal audit reports, fraud investigations and briefings to management. In my opinion, with the exception of those areas where 'limited' assurance reports have been issued, the controls in place in those areas reviewed are adequate and effective. Where weaknesses in controls have been identified, internal audit has worked with management to agree appropriate actions and timescales for implementation. Internal Audit will undertake follow up reviews to confirm their implementation.

In my opinion, the Council's framework of governance, risk management and management control is adequate and audit work has found controls to be generally effective.

4. Internal Audit Coverage and Output

4.1 The 2015/16 audit plan was informed by internal audit's own assessment of the Council's key risk areas and discussions with senior management to ensure that audit resources were aligned to agreed areas of risk. A level of contingency was included in the audit plan to ensure that any emerging risks during the year could be adequately reviewed. Work has been planned and performed in order to obtain reasonable assurance that the internal control system is operating effectively.

4.2 For 2015/16 a total of 71 projects, including schools audits, formed the annual audit plan which was approved by the Corporate Committee on 26 March 2015. Resources to complete follow up work are also included in the annual audit

plan, including formal follow up reports for schools. The results of the follow up reviews were reported to the Corporate Committee throughout 2015/16. In addition, requests for additional audit work were made during the year and a further 3 system checks, including sample testing (rather than full audits) were completed.

4.3 The 2015/16 internal audit plan has been delivered with the following exceptions:

- Work is substantially complete and a draft report and an indicative opinion has been formed for 15 reviews, however final reports were not issued by 31 March 2016;
- Fieldwork was in progress for 11 reviews at 31 March 2016. Reports have subsequently been issued for these reviews.
- Two projects relating to adults and children’s residential care placements were replaced with a single project reviewing the newly created brokerage service which manages the procurement of places;
- Two projects (20 days) were cancelled as a result of changes to how services were delivered during 2015/16. These areas will be included for review during 2016/17, covering their new management arrangements.

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for 2015/16.

4.4 Including follow up work and resources to support work which did not result in a formal report, Mazars delivered 87% of the planned audit programme to final report stage by 31 March 2016. This is lower than the agreed performance indicator which specifies a 95% completion rate. However, the majority of the fieldwork required had been completed and final reports are due to be issued within the first quarter of 2016/17.

4.5 The following table indicates the audits completed and relevant levels of assurance during 2015/16. Eleven audits reports were still to be issued in draft at 31 March 2016, however indicative assurance levels have been reported where available.

Assurance Level	Number of Reports Issued
Full Assurance	5
Substantial Assurance	24
Limited Assurance	5
No Assurance	0
Advisory report	13
Total	47

Assurance Definition:

Full Assurance: There is a sound system of control designed to achieve the system objectives.

Substantial Assurance: There is basically a sound system, but there are weaknesses which put some of the system objectives at risk.

Limited Assurance: Weaknesses in the system of controls are such as to put the system objectives at risk.

No Assurance: Control is generally weak leaving the system open to significant error or abuse.

4.6 This level of audit coverage is satisfactory and complies with the mandatory 2013 UK Public Sector Internal Audit Standards (PSIAS).

5. Significant Issues Arising

5.1 During 2015/16, it was reported that a significant number of high priority (Priority 1) recommendations relating to schools' audits remained outstanding when the follow up audit was undertaken: 28 out of 58 Priority 1 recommendations remained outstanding.

5.2 As a result, a more robust escalation process was proposed by the Children's Service and approved by the Corporate Committee in November 2015. All schools with outstanding recommendations will be visited again in 2016/17 to ensure implementation. The agreed escalation process will be used in 2016/17 where schools have not implemented recommendations. This has been identified in the Council's AGS as part of the Head of Audit and Risk Management's comments on 2015/16.

6. Counter-fraud work 2015/16

6.1 Haringey Council is committed to ensuring the highest possible standards are maintained by its staff, contractors and residents. Fraud and corruption can impact on the public's confidence in the Council and its reputation in the long term. Counter-fraud policies and strategies are in place to detect and prevent fraud and a corporate Fraud Team is managed by the Head of Audit and Risk Management.

6.2 In accordance with Part 2 of the Local Government Transparency Code 2014, details of the Fraud Team's involvement in counter-fraud work is summarised below:

Transparency Code requirement	2015/16
Allocated budget for counter-fraud work	£650k
Number of staff (absolute and FTE) undertaking counter-fraud work	9 staff: 8.5 FTE
Number of staff of professionally accredited counter-fraud specialists	8 staff
Total amount of time spent on the investigation and prosecution of fraud	1,853 days
Total number of fraud cases investigated	1,444
Number of occasions powers under the Prevention of Social Housing Fraud Regulations have been used	46

6.3A breakdown of the fraud cases investigated is summarised below:

Investigation area	Number of investigations
Housing benefits*	30
Right to Buy applications	305
Tenancy fraud	136
Employee fraud cases	15
Council Tax – single person discount	718
Blue Badge fraud	240
Total	1,444

*Responsibility for Housing Benefit fraud investigations transferred to the Department for Work and Pensions on 1 August 2015.

- 6.4 **Counter-fraud outcomes.** In 2015/16, the target for the counter-fraud work was to contribute a minimum of £10m worth of savings, or avoided expenditure, to assist the Council in improving its frontline services. The Fraud Team exceeded this target by over £6m by achieving the following outcomes:

Counter-fraud Activity	Number	Unit value £000s	Total £000s
Council Tenancies recovered	40	18*	720
Successful prosecutions completed	5	N/A	68
Right to Buy investigations	149	103**	15,347
Total			16,135

* Cabinet Office unit value of average Temporary Accommodation costs

** RTB Actual discount value

- 6.5 **Internal Investigations.** During 2015/16, 15 investigations were completed involving council employees. The allegations covered a number of issues including misuse of blue badges, bribery offences, fraudulent housing application and benefit fraud; the number of investigations completed by service area is shown below. The number of investigations in total is consistent with previous years' work.

Investigations by service area

Service area	Investigations 2015/16
Children and young People's Service	4
Chief Operating Officer	7
Adult Social Services	3
Planning, Regeneration and Development	1
Total	15

- 6.6 **Whistleblowing referrals.** The Head of Audit and Risk Management maintains the central record of referrals made using the Council's whistleblowing policy. In total, 24 whistle blowing referrals were made during 2015/16, 19 of which were anonymous.

The Head of Audit provided a briefing and presentation to all senior managers, and publicity via the staff newsletter, on the Council's whistleblowing policy and how to use it during 2015/16. Regular reminders regarding expected standards of behaviour and how to report suspected fraud are provided via staff newsletters, the Council's intranet and website and via Haringey People and Home Zone publications.

All referrals are reviewed and subsequent investigations are managed according to all relevant statutory requirements, including Data Protection, Regulation of Investigatory Powers and Police and Criminal Evidence Acts. In 2015/16, three referrals did not relate to Council staff and were referred to the relevant contractor for their review; 16 cases were closed either due to lack of information or evidence; five cases remain ongoing at the year end.

6.7 **Tenancy Fraud.** In 2015/16, the numbers of referrals received, investigations completed and properties recovered to date by the Fraud Team are summarised below.

2015/16 – Referrals received

Brought forward from 2014/15		61
2014/15 cases not previously included		31
Tenancy Management Officer	91	
Fraudcall (free phone and email)	16	
Pro-active exercises	8	
Public	1	
Other LA	1	
Other Haringey Service	15	
Total referrals received in 2015/16		132
Total referrals received for investigation		224

2015/16 Outcomes

Properties Recovered	40	
No Fraud identified	96	
Total cases concluded		136
Ongoing Investigations		88*

***See Note 1 below**

Note 1: Of the 88 ongoing investigations; 28 of these cases (32%) are where tenancy fraud has been identified and court proceedings were in progress as at 31 March 2016. This gives a total of 68 properties where tenancy fraud has been proven for 2015/16. The property will be included in the 'recovered' data when the keys are returned and the property vacated.

The Fraud Team are liaising with Legal Services on individual cases to ensure these are progressed as quickly as possible. For the ongoing investigations where tenancy recovery is in progress; the status of the tenancy has been investigated and the case is either awaiting a Court Hearing, the Particulars of Claim are with Legal Services, an NTQ is awaiting expiry, a succession application has been refused and the tenant is awaiting an offer of smaller

accommodation, or the rent account is showing an 'Unauthorised Account' on the Housing database.

The Audit Commission valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, mainly relating to average Temporary Accommodation (TA) costs.

No new national indicators have been produced, therefore although this value is considered low compared to potential TA costs if the property has been identified as sub-let for several years, Audit and Risk Management continue to use this figure of £18k per property for reporting purposes.

In 2015/16, 40 properties have been recovered through the actions and investigations of the Fraud Team; therefore a total value of £720k can be attributed to the recovery, or cessation, of fraudulent tenancies. If all remaining investigations are concluded and 68 properties are recovered, the total financial value of the tenancy fraud work would exceed **£1.2 million** for the 2015/16 financial year.

- 6.8 **Right-to-buy (RTB) fraud.** Over 200 Right to Buy applications have been referred to the Fraud Team in 2015/16; and the team currently has approximately 305 ongoing applications under investigation. The team reviews every RTB application to ensure that any property where potential benefit or succession fraud is indicated can be investigated further.

In 2015/16, 149 applications have been withdrawn or refused either following the applicants' interview with the Fraud Team, further investigations and/or the requirement to complete money laundering processes.

Overall, the 149 cases represent over £15.3m in RTB discounts and means the properties are retained for social housing use.

- 6.9 **National Fraud Initiative (NFI).** The NFI is a statutory biennial data matching exercise which was managed by the Audit Commission (now the Cabinet Office). The data matches from the exercise are shared, via a secure website, with the Council to enable further investigations to take place. The initial data matches were made available to the Council in February 2015 and the Fraud Team completed their investigations by 31 December 2015. Some investigations remained open after this date as court proceedings and recovery processes continued.

The total potential data matches for each area are identified and, within this total, a number of 'recommended' matches, which are considered to have the highest risk of potential fraud linked to them, are highlighted. The Fraud Team focused on completing their investigations into the 'recommended' matches and will select a further sample from the total matches for each area for investigation on a risk basis.

A summary of the NFI matches received and investigations completed, together with the number of fraud/errors identified is detailed below.

Summary of NFI potential data matches received

NFI area	Total Number of Matches identified	Total 'Recommended' Matches identified	Total number of investigations completed to date	Number of ongoing Investigations	Number of frauds/errors identified
Housing Benefits	8,522	2,799	865	0	6
Payroll	167	64	41	16	0
Pensions	204	62	87	0	0
Housing Tenants	494	141	227	11	1
Right to Buy	386	284	274	2	0
Insurance claimants	58	7	5	0	0
Blue badge permits	417	398	398	0	0
Personal Budgets	278	110	278	0	61
Private Residential Care Homes	26	13	26	0	9
Total	10,552	3,878	2,201	29	77

Summary details where fraud/errors were identified

A total of 77 cases of fraud or error, with a total value of £179.9k, were identified as a result of investigations into 2,101 data matches (3.6%). The Fraud Team undertook the investigations into data matches on a risk basis, and aligned the investigations with existing pro-active work programmes wherever possible to utilise resources effectively. Details of the outcomes where fraud and/or errors were identified are summarised below.

a) Housing Benefits:

Six frauds/errors were identified, with a total value of £136.4k. All overpayments are in the process of being recovered, some via ongoing entitlement. Two members of staff were included in the overpayments identified; they had not declared changes in circumstances e.g. changes in hours worked, increases in salary, resulting in overpayments of £3k and £6k. Disciplinary action was taken in accordance with the Council's Code of Conduct; benefit claims have been reassessed and repayment plans have been put in place. One benefit claimant did not have access to public funds resulting in an overpayment of £44k; the benefit claim was cancelled and recovery is being sought. All future NFI fraud investigations relating to Housing Benefits should be undertaken by the DWP's Single Fraud Investigation Service (SFIS).

b) Housing Tenants:

One error was identified relating to the incorrect recording of an individual's National Insurance number. The database was corrected; no financial error or fraud was identified.

c) Personal Budgets:

Sixty one errors were identified, all relating to different recording of address information, or incorrectly omitting the benefit details on the system which triggered the error report. No financial issues, frauds, or errors were identified by the data set matches.

d) Private Residential Care Homes:

Nine errors identified relating to the date of death for the client and subsequent overpayments to care home providers. The total of £43.5k was reclaimed from providers either by invoice, where the individual was the only client, or by recovery from subsequent payments to the care home where the Council has more than one service user resident in the care home.

7. Looking Forward

- 7.1 The internal audit and counter-fraud services aim to remain responsive to the needs of the Council; providing high quality services which comply with all relevant local and statutory requirements.
- 7.2 In order to provide assurance to managers, the internal audit plan for 2015/16 focused on the key priority risk areas. As the Priority Boards develop and delivery of the Corporate Plan progresses, internal audit will align its service to the risks highlighted by service managers, project managers and Priority Owners. Internal audit will also work with managers to pro-actively to test key controls on a regular basis in key risk areas e.g. payroll and accounts payable. This will provide regular ongoing assurance to managers throughout the year, rather than just at the year end; will also assist in preventing and avoiding losses and fraud; and assist in putting suitable controls in place where appropriate.
- 7.3 The Fraud Team's work in 2015/16 focused on key fraud risk areas, notably tenancy fraud and Right to Buy fraud, with outcomes achieved reflecting a good return on the resources deployed. A substantial amount of the Fraud Team's resources in 2015/16 were taken up investigating potential data matches provided by the National Fraud Initiative (NFI); the outcomes of these investigations did not identify any significant frauds in 2015/16. The next NFI data matching exercise will commence in 2016/17 and the Fraud Team will prioritise those potential data matches which align with the Council's key risk areas in the first instance.

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Report for: Corporate Committee – 28 June 2016

Item number: 9

Title: Annual Governance Statement 2015/16

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Anne Woods, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: anne.woods@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non-key decision

1. Describe the issue under consideration

1.1 To inform the Corporate Committee of the statutory requirements to produce an Annual Governance Statement (AGS) and provide a draft statement relating to the 2015/16 financial year for review and approval.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Corporate Committee review and approve the draft 2015/16 AGS.

3.2 That the Corporate Committee notes the approval timescale and processes for the draft 2015/16 AGS.

4. Reasons for decision

4.1 The Corporate Committee is responsible for approving the Council's draft AGS as part of its Terms of Reference. In order to facilitate this, and provide information on its sources of assurance from across the Council, reports have been provided on a regular basis for the Corporate Committee, culminating in the production of the draft AGS.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The Council is required to produce an Annual Governance Statement (AGS) for publication with the Council's annual accounts. The AGS comments on the Council's governance framework as a whole. Corporate governance brings together an underlying set of legislative requirements, governance principles and management processes.

- 6.2 The preparation of an AGS is a statutory requirement of the Accounts and Audit Regulations 2015. These regulations require local authorities to produce an annual statement, in accordance with 'proper practice'.
- 6.3 In order to comply with the statutory reporting deadlines, the AGS for 2015/16 has to be approved by 30 June 2016. The Leader and Chief Executive will need to obtain sufficient assurance that responsibilities have been adopted at a corporate level and adequate processes exist and are effective before they sign the AGS.
- 6.4 Prior to its final approval, the Council needs to demonstrate that the AGS has been reviewed and agreed by relevant senior managers across the authority and an appropriate member body. The Statutory Officers' Group have reviewed a draft AGS and a copy of this is provided at Appendix A. This has been produced in line with the guidance issued by CIPFA in their report 'Delivering Good Governance', the 2012 guidance note; and from recommendations made by Grant Thornton in their national review of governance in local government.
- 6.5 The AGS format is linked to the Council's published Local Code of Corporate Governance; and demonstrates the processes and assurances the Council has in place to fulfil its requirements under its Local Code.
- 6.6 It is acknowledged that the draft AGS is presented for review prior to the statutory external audit of the accounts. However, any significant governance or internal control issues which arise as a result of the final accounts audit can be included in the AGS and re-submitted for officer and member consideration and approval before the closure of the statutory audit period on 30 September 2016.

7. Contribution to strategic outcomes

- 7.1 Corporate governance is an important element of the external assessment processes. The annual accounts, including the AGS, are subject to audit by the council's external auditors. While the whole of the financial statements may not be qualified, an incorrect or inaccurate AGS may be raised as a recommendation by the external auditors. Ensuring the adequacy and effectiveness of the Council's governance arrangements, which cover all Priority areas, will assist in improving services to residents and other stakeholders.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

- 8.1 Finance and Procurement
There are no direct financial implications arising from this report. The work within service areas which supports and provides evidence for the AGS, is contained and managed within their revenue budgets. Service departments manage risks and governance arrangements as part of the routine work to achieve their business plans and costs are contained within their revenue budgets.

Internal audit undertake reviews to confirm the evidence and assurance statement submitted by service areas and Directors/Assistant Directors. Additionally, the Head of Audit provides an annual report to support the

assurance processes for the AGS. This work is part of the annual internal audit plan and costs are included within Audit and Risk Management's budget.

The Chief Finance Officer confirms that the presentation of the attached draft AGS for approval by this Committee meets the Council's statutory requirement under the 2015 Accounts and Audit Regulations.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and advises that in view of the fact that the Annual Governance Statement has been compiled in accordance with legislative requirements and industry best practice standards, there are no direct legal implications arising out of the report.

8.3 Equality

There are no direct equality implications for the Council's existing policies, priorities and strategies as a result of this report. However, ensuring that the Council has effective governance arrangements in place and taking appropriate action to improve these where required will assist the Council to use its available resources more effectively.

This report deals with governance arrangements and their implementation across all areas of the Council, which have an impact on various parts of the community. Improvements in managing governance will therefore improve services the Council provides to all sections of the community.

9. Use of Appendices

Appendix A – Draft Annual Governance Statement 2015/16

10. Local Government (Access to Information) Act 1985

Not applicable

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Annual Governance Statement 2015/16

1. Scope of responsibility

- 1.1 Haringey is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Haringey 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, with regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this, Haringey is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The authority has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Haringey Council's local code of corporate governance is published on the Council's website and a copy can be obtained from the Council's Monitoring Officer. This statement explains the Council's commitments as part of the Local Code of Corporate Governance, together with how it gets assurance that these commitments are in place and effective; it also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to the publication of an Annual Governance Statement.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled. The framework also comprises the activities through which it accounts to, engages with and leads the community. Through the framework the authority is able to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.2 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 risk of failure to achieve policies, aims and objectives, but it can provide a reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Haringey's policies, aims and objectives. The system of controls also allows for the evaluation of the likelihood of risks being realised and the impact should they be realised, ensuring that we are able to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Haringey for the year ended 31st March 2016 and up to the date of the approval of the annual report and accounts.

3. The governance framework

3.1 The key elements of the systems and processes that make up the authority’s governance arrangements are based on and consistent with the six core principles of the Council’s Code of Corporate Governance:

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
<p>Corporate Governance – Core Principle 1: Focusing on the purpose of the Council, on outcomes for the community and creating and implementing a vision for the area</p>	
<p>a) To exercise strategic leadership by developing and communicating clearly the Council’s purpose and vision and its intended outcomes for citizens and service users, we will:</p> <ul style="list-style-type: none"> • <i>Develop and promote the Council’s purpose and vision.</i> • <i>Review on a regular basis the Council’s visions for its area and its implications for the Council’s governance arrangements</i> • <i>Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</i> • <i>Publish an annual report on a timely basis to communicate the Council’s activities and achievements and its financial position and performance</i> <p>b) To ensure users receive a high quality of service whether directly, or in partnership, or by commissioning, we will:</p> <ul style="list-style-type: none"> • <i>Decide how the quality of service for users is to be measured and make sure that the necessary information is available to review service quality effectively and regularly</i> • <i>Put in place effective arrangements to identify and deal with failure in service delivery</i> <p>c) To ensure that the Council makes the best use of resources and that tax payers and service users receive excellent value for money, we will:</p> <ul style="list-style-type: none"> • <i>Decide how value for money is to be measured and make sure that the Council has the information needed to review value for money and performance effectively</i> 	<ul style="list-style-type: none"> • The Corporate Plan 2015-18 sets out the Council’s vision and priorities, was consulted on with residents, agreed by Full Council in February 2015 and is published on the Council’s website. • The Medium Term Financial Strategy (MTFS) outlines the overall financial strategy for achieving the Council’s priorities. The MTFS requires £70m of savings to deliver a balanced budget position each year between 2015 and 2018. The savings proposals were consulted on with residents, before being approved by Full Council in February 2015. • Further consultation on the budget took place with business rate payers and residents in 2015/16; alongside the review by the Overview and Scrutiny committee which presented its recommendations on 25 January 2016. The final budget for 2016/17 was approved at Full Council on 22 February 2016. • The Council’s budget management position was reported to Cabinet in 2015/16; budget overspends were reported in Children’s and Adult Social Services and Temporary Accommodation. • The Council’s annual report for 2014/15 received an unqualified opinion from the external auditor in 2015/16, who confirmed that the accounts provided a true and fair view of the Council’s financial position; and the arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. • As part of the Corporate Plan delivery arrangements, the Council implemented new governance structures in 2015/16. Five Priority Boards are responsible for delivering the Corporate Plan outcomes and performance against all the priorities’ objectives is published on

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
<ul style="list-style-type: none"> • <i>Measure the environmental impact of policies, plans and decisions.</i> 	<p>the website under the 'Building a Stronger Haringey Together' page, which provides summary and detailed information against all key performance measures, together with action plans to address any shortfall in performance.</p> <ul style="list-style-type: none"> • The Council's Corporate Delivery Unit provided challenge and support to the organisation to deliver on priorities in the Corporate Plan in 2015/16. 'Stock takes' are held with the Chief Executive, Deputy Chief Executive and Leader of the Council to provide feedback on reviews carried out. • The Council has a Health and Wellbeing Board in place; membership comprises elected members of the Council, partners from the NHS clinical commissioning group and local Healthwatch partners. Joint health and wellbeing strategies were approved in 2015/16 following consultation with the public, service users and partner organisations; specific targets to improve health across the borough, including establishing the Haringey Obesity Alliance were agreed in 2015/16. Performance reports, indicating positive progress against strategy targets were provided to the Board during 2015/16 and published on the Council's website. • The Community Safety Partnership (CSP) is a statutory partnership which is responsible for delivering the outcomes in the Community Safety Strategy 2013 – 2017. During 2015/16, the CSP reported positive outcomes in reducing crime and disorder, substance misuse and re-offending in the borough. Reports are published on the Council's website. • Haringey's Local Plan, including the Development Management DPD; the Site Allocations DPD; and the Tottenham Area Action Plan sets out how the Council will meet the local development and housing needs of the borough, as specified in the Corporate Plan. The Local Plan was widely consulted on in 2015/16, receiving over 6,000 responses, resulting in it being amended prior to its approval by full Council.

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
	<p>Actions:</p> <ul style="list-style-type: none"> • Ensure the budgets within Children’s and Adult Social Services and Temporary Accommodation are managed effectively in 2016/17.
<p>Corporate Governance – Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles</p>	
<p>a) To ensure effective leadership throughout the Council and to be clear about ‘executive’ and ‘non-executive’ functions and the roles and responsibilities of the scrutiny function, we will:</p> <ul style="list-style-type: none"> • <i>Set out a clear statement of the respective roles and responsibilities of the Cabinet and of the Cabinet Members individually including the Council’s approach towards putting this into practice</i> • <i>Set out a clear statement of the respective roles and responsibilities of non-executive Members, Members generally and senior officers</i> <p>b) To ensure that a constructive working relationship exists between Members and officers and that their respective responsibilities are carried out to a high standard, we will:</p> <ul style="list-style-type: none"> • <i>Determine a scheme of delegation and reserve powers within the Council’s constitution including a schedule of those matters specifically reserved to the Full Council and update this as required</i> • <i>Make a Chief Executive responsible and accountable to the Council for all aspects of operational management</i> • <i>Develop protocols to ensure that the Leader and Chief Executive have a shared understanding of their respective roles and objectives</i> • <i>Make a senior officer, the section 151 officer, responsible to the Council for ensuring that appropriate financial advice is given and for maintaining proper records and an effective system of internal financial control</i> 	<ul style="list-style-type: none"> • The Council’s constitution sets out the policy and decision making framework of the authority and is held in hard copy and on the Council’s intranet and external website. The constitution is reviewed on an annual basis and updated to reflect functional and organisational changes. Changes are approved at Full Council; the latest update was approved and published in May 2015. • The roles and responsibilities of the Council, the Cabinet, committees, Councillors including cabinet members, and officers are clearly documented within the constitution, including protocols governing the relationships between members and officers. • The statutory responsibilities required of the section 151, monitoring officer and head of audit have been fulfilled in 2015/16 and form part of the Annual Governance Statement’s assurance report. • The Council’s constitution includes the Financial and Contract Procedure Rules, which specify the governance framework for all its operational functions. • All relevant officers were briefed on the requirements of the constitution relating to schemes of delegation and authorisation and the requirements to document and publish relevant decisions. Follow up briefings and reviews have been undertaken in 2015/16 and reports to the Council’s Statutory Officers Group indicate that services are complying with the requirements. • In 2015/16 the Council recommended establishing a Pensions Board and Committee to comply with relevant legislation and ensure effective and efficient governance and administration of the Pensions Scheme. The Council, through the Pensions Committee, retains ultimate responsibility for the administration and governance

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
<ul style="list-style-type: none"> • <i>Make a senior officer, the monitoring officer, responsible to the Council for ensuring that agreed procedures are followed and that all legislation is complied with</i> <p>c) To ensure relationships between the Council, its partners and the public are clear so that each knows what to expect from the other, we will:</p> <ul style="list-style-type: none"> • <i>Develop protocols to ensure effective communication between Members and officers in their respective roles</i> • <i>Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective Corporate Committee</i> • <i>Ensure that effective mechanisms exist to monitor service delivery</i> • <i>Ensure that the Council's vision, strategic plans, priorities and targets are developed robustly in consultation with the local communities and key stakeholders and that they are clearly expressed and publicised</i> • <i>Ensure that Members working in partnership are clear about their roles and responsibilities, individually and collectively, both to the partnership and the Council</i> • <i>Ensure that all those working in partnership understand clearly the legal basis of the partnership and the extent of each representative's authority to commit their parent organisation to partnership decisions</i> 	<p>of the Pensions Fund. The Secretary of State agreed a joint Pensions Board and Committee; which will be formally established in May 2016.</p> <ul style="list-style-type: none"> • Internal and external audit provide assurance on the Council's system of internal control to support the section 151 officer requirements, including reporting compliance with financial and contract procedure rules across the Council. The outcomes of these were reported to the Corporate Committee quarterly during 2015/16. All except two of the Council's key financial systems received a 'substantial' or 'full' assurance rating; two (accounts payable and housing benefits) received a 'limited' assurance rating in 2015/16. This is a similar position to previous' years performance. • The Council's website has an 'Our Standards' page which sets out the expectations and standards required of both officers and members. • The Council has an agreed Pay Policy Statement in place which is compliant with the Localism Act and the Transparency Code. The Statement is reviewed and approved by the Staffing and Remuneration Committee (January 2016) prior to its adoption by Full Council. The Council has approved its commitment to paying employees the London Living Wage and is working to require contractors to implement the same policy.
<p>Corporate Governance – Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>	
<p>a) To ensure Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance, we will:</p> <ul style="list-style-type: none"> • <i>Ensure that the Council's leadership sets a tone for the</i> 	<ul style="list-style-type: none"> • The Council requires all members to formally acknowledge receipt of their code of conduct on an annual basis. No exceptions were noted in 2015/16. • Members are provided with briefings on the code of conduct as part

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
<p><i>organisation be creating a climate of openness, support and respect</i></p> <ul style="list-style-type: none"> • <i>Define and publicise the standards expected in the conduct of members and officers and in the work of the Council including work with partners and the local communities</i> • <i>Put in place and maintain in operation arrangements to ensure that Members and officers are not influenced by prejudice, bias or conflicts of interest when dealing with different stakeholders</i> <p>b) To ensure that the Council's values are put into practice and remain effective, we will:</p> <ul style="list-style-type: none"> • <i>Develop and maintain shared values, including leadership values, for both the Council and its staff which reflect public expectations and communicate these to Members, staff, the community and partners</i> • <i>Put in place arrangements to ensure that systems and processes reflect appropriate ethical standards and to monitor their continuing effectiveness in practice</i> • <i>Develop and maintain an effective Standards Committee</i> • <i>Use the Council's shared values as a guide for decision-making and a basis for developing positive and trusting relationships within the Council</i> • <i>Pursue a partnership vision with an agreed set of values for assessing decision-making and actions which must be demonstrated by the partners' individual and collective behaviour</i> 	<p>of the member induction and training programme. Key statutory training was provided to new Members following the respective by-elections in 2015/16.</p> <ul style="list-style-type: none"> • Articles are included in staff newsletters, which are published on the Council's intranet, outlining expected standards of behaviour in specific areas and these continued in 2015/16. Internal Audit and the Fraud Team undertake investigations into allegations of financial irregularity and report the outcomes to the Corporate Committee on a quarterly basis; in 2015/16, 15 allegations were completed, with six cases proven resulting in three officers resigning their positions and 3 officers dismissed. This is consistent with the numbers investigated and proven in previous years. • The Council's complaints policy is publicised on the Council's external website and at various public places across the borough. The Council monitors responses to complaints on a weekly basis and outstanding responses are escalated to senior management. As at the end of March 2016, six complaints were outside the Council's timescales for responding, with an average time overdue of 3.5 days. • Haringey Council has well established codes of conduct for officers and members, which are regularly reviewed and subject to approval by members. The Assistant Director of Corporate Governance is the Monitoring Officer and is responsible for ensuring that the Council acts lawfully and in accordance with the constitution. • The Council's Standards Committee deals with any complaints which relate to Members breaching the code of conduct for Members and reports are published on the website. The Council has independent members appointed to the Standards Committee; new members have been recruited in 2015/16 will be in post from 1 July 2017. • The Assistant Director of HR provided reports to the Council's Staffing and Remuneration Committee during 2015/16 including

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
	<p>quarterly reports on sickness absence, equalities and agency staff. A summary of Year 1 achievements relating to the Council's Workforce Plan was presented to the Committee in January 2016; including the introduction of a new set of corporate values and Haringey brand; a new performance appraisal process and digital learning platform; and a review of senior manager pay and grading. A staff survey was undertaken in January 2016, with the emphasis on employee value proposition principles, with Assistant Directors responsible for agreeing action plans in line with the Workforce Plan.</p> <ul style="list-style-type: none"> • The Council operates a 'zero tolerance' approach to fraud and corruption. The anti-fraud and corruption policy includes a fraud response plan, anti-bribery and money laundering policies and a whistle-blowing policy. The anti-fraud policy is published on the Council website and regular articles on how to report fraud are published in staff newsletters and Haringey People. In 2015/16, the Council investigated and recovered 40 properties; and prevented 149 fraudulent Right to Buy applications in line with the anti-fraud policy. 24 referrals were made using the whistleblowing policy (an increase from seven in the previous year); all were reviewed, investigated and reported to the Corporate Committee.
<p>Corporate Governance – Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and risk management</p>	
<p>a) To be rigorous and transparent about how decisions are taken and to listen and act on the outcomes of constructive scrutiny, we will:</p> <ul style="list-style-type: none"> • <i>Develop and maintain an effective scrutiny function which encourages effective challenge and which enhances the Council's performance overall and that of organisations for which the Council is responsible</i> • <i>Develop and maintain open and effective mechanisms for documenting the evidence for decisions and for recording the criteria, rationale and considerations behind decisions</i> 	<ul style="list-style-type: none"> • The Council's internal and external auditors produce annual audit reports and the Annual Audit Letter, which were both reported to the Corporate Committee during 2015/16. External audit reported that the council had provided a good set of financial statements and working papers. No significant governance issues were raised by either report. • Regular internal and external audit reviews check compliance with financial and contract procedure rules across the Council and the outcomes of these were reported to the Corporate Committee on a quarterly basis during 2015/16. All high priority recommendations

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
<ul style="list-style-type: none"> • <i>Put arrangements in place to safeguard Members and staff against conflicts of interest together with appropriate processes to maintain them in practice</i> • <i>Develop and maintain an effective Corporate Committee dealing with audit functions which is independent of the Cabinet and scrutiny functions</i> • <i>Make sure that effective, transparent and accessible arrangements are in place for dealing with complaints</i> <p>b) To have good quality information, advice and support which ensure that the services wanted and needed by the community are delivered effectively, we will</p> <ul style="list-style-type: none"> • <i>Ensure that decision makers in the Council and partner organisations have information that is fit for purpose i.e. relevant, timely, and with clear explanations of the technical issues</i> • <i>Ensure that proper professional advice, on matters with financial or legal implications, is available, recorded well in advance of decision-making and used appropriately</i> <p>c) To ensure that an effective risk management system is in place, we will:</p> <ul style="list-style-type: none"> • <i>Ensure that risk management is embedded into the culture of the Council with Members and managers recognising this is part of their respective roles</i> • <i>Ensure that effective arrangements for whistle-blowing are in place with access for Members, staff and those contracting with, or appointed by the Council</i> <p>d) To use the Council's legal powers for the full benefit of citizens and communities in the borough, we will:</p> <ul style="list-style-type: none"> • <i>Recognise the limits of lawful action while striving to use</i> 	<p>were found to be implemented when follow up audits were undertaken.</p> <ul style="list-style-type: none"> • The Corporate Committee fulfilled its terms of reference in 2015/16 in relation to audit functions; and reported positive outcomes in relation to counter-fraud and arrangements for ensuring good governance in schools. • Officers and Members are required to complete declarations of interest; Members' declarations are published on the website to ensure transparency and all Members complied with the requirements in 2015/16. • Full compliance was achieved in 2015/16 with CIPFA's statements on the role of both the Chief Financial Officer and the Head of Internal Audit. • A list of the equality impact assessments undertaken during 2015/16 is available on the Council website. No Council decisions were successfully challenged on the basis of inadequate equality impact assessments in 2015/16. • By taking a detailed look at the Council's decisions and policies, Overview and Scrutiny works to promote open decision making and democratic accountability in Haringey by holding the Cabinet to account, developing and reviewing policy in an inclusive cross-party manner that involves local communities and other interested parties, reviewing the performance of the Council and scrutinising local services not provided by the Council, such as health services. The reports and recommendations are discussed and responded to by the Cabinet and published on the Council's website. • The Council's financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. During 2015/16, work started to implement a new management information system, which will provide budget holders and heads of service with details of performance and financial information in an integrated package. This is expected to be rolled out during 2016/17.

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
<p><i>Council powers for the full benefit of the community</i></p> <ul style="list-style-type: none"> • <i>Comply with the specific requirements of legislation and the general duties placed on Councils by public law</i> • <i>Integrate the key principles of administrative law – rationality, legality and natural justices – into the Council’s procedures and decision-making processes</i> 	<ul style="list-style-type: none"> • The Council has processes in place to ensure that decision takers follow due process, that decisions are taken having regard to all relevant considerations and that decisions are properly documented; comments from all relevant professional services – legal, finance and procurement – must be included in all committee reports. No omissions were recorded in 2015/16. • Haringey has a corporate Risk Management Policy and Strategy which is reviewed on a regular basis and, through a variety of processes and procedures, ensures that risk management is embedded across the organisation and its activities, including business planning and project management processes. • The Council has a corporate risk register and corporate Priority Boards, programmes and business areas have risk registers in place. • Haringey’s business continuity planning is based on risk assessment and business impact analysis. Each service area produces a business continuity plan which is updated twice a year. Service continuity plans are incorporated into the Council-wide Business Continuity Plan. No significant business continuity issues were reported during 2015/16.
<p>Corporate Governance – Core Principle 5: Developing the capacity and capability of Members and Officers to be effective</p>	
<p>a) To make sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles, we will:</p> <ul style="list-style-type: none"> • <i>Provide induction programmes tailored to individual needs and also opportunities for Members and officers to update their knowledge regularly</i> • <i>Ensure that statutory officers have the necessary skills, resources and support to perform effectively</i> • <i>Ensure that the roles of the statutory officers are properly understood by all in the Council</i> 	<ul style="list-style-type: none"> • Members who sit on the Corporate and Regulatory Committees were provided with training specific to their responsibilities for these committees. Training sessions included planning, licensing, audit, finance, pensions and treasury. • All members have been offered an extensive training programme on matters relating to standards and ethics; children and adults’ safeguarding; public health; freedom of information/data protection and member’s enquiries; scrutiny and the way the Council operates. • The Council provides a programme of training for members, and all members have access to the Council’s corporate training and

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
<p>b) To develop the capability of those with governance responsibilities and to evaluate their performance individually and collectively, we will:</p> <ul style="list-style-type: none"> • <i>Assess the skills required by Members and officers and develop those skills to enable their roles to be performed effectively</i> • <i>Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</i> • <i>Ensure that effective arrangements are in place for reviewing the performance of the Cabinet and individual Cabinet Members and for agreeing action plans to address training or development needs</i> <p>c) To encourage new talent for membership of the Council so best use can be made of individuals' skills and resources in balancing continuity and renewal, we will:</p> <ul style="list-style-type: none"> • <i>Ensure that effective arrangements are in place to encourage individuals from all sections of the community to engage with, contribute to and participate in the Council's work</i> • <i>Ensure that proper career structures are in place for Members and officers to encourage participation and development</i> 	<p>development programme.</p> <ul style="list-style-type: none"> • All permanent staff within the Council received an annual performance review, which is linked to the Council's management standards and corporate competency framework; the Staffing and Remuneration Committee received regular reports on People Management issues. During 2016/17, the Council developed and piloted a new performance management process which will be rolled out to all staff in 2016/17. • Legal Services provide briefings to members covering legislative and case law updates. The briefings are designed to ensure that members are kept abreast of developments of legal and political significance in local government on all matters including children and adult social services, education, health, housing, planning and licensing and any other areas of relevance. This enables members to better serve their constituents - at ward surgeries, through informed debate at committees and in their strategic role in developing Council policies. <hr/> <p>Actions:</p> <ul style="list-style-type: none"> • Ensure that the new performance management framework for employees is embedded effectively across all service areas in 2016/17; and use the outcomes to develop the council's training and development plans.
<p>Corporate Governance – Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability</p>	
<p>a) To exercise leadership through a robust scrutiny function which effectively engages local people and all local stakeholders and partnerships and which develops constructive and accountable relationships, we will:</p> <ul style="list-style-type: none"> • <i>Make clear to all Members, staff and the community that we are democratically accountable for this scrutiny function</i> • <i>Consider those institutional stakeholders to whom the Council is</i> 	<ul style="list-style-type: none"> • Copies of the Council's magazine, Haringey People, are delivered to all residential addresses and the magazine is also available via the Council's intranet and external website. In addition, the Council produces Haringey People Extra, a weekly electronic newsletter for residents. • Key information is provided for residents in the six main languages spoken in the borough; the Council has various channels of

What commitments the Council has made as part of its Code of Corporate Governance	How the Council gets assurance that its Code of Corporate Governance commitments are in place and working
<p><i>accountable and assess the effectiveness of the relationships and any changes required</i></p> <ul style="list-style-type: none"> • <i>Produce an annual report on the activity of the scrutiny function</i> <p>b) To take an effective and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning, we will:</p> <ul style="list-style-type: none"> • <i>Ensure that clear channels of communication are in place with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively</i> • <i>Hold meetings in public unless there are good reasons for confidentiality</i> • <i>Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively</i> • <i>The above arrangements will recognise that different sections of the community have different priorities and will establish processes for dealing with these competing demands</i> • <i>Establish a clear policy on the types of issues where we will consult, or engage the public and service users, including a feedback mechanism to demonstrate to consultees what has changed as a result of consultation</i> • <i>Publish an annual performance plan with information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and service user satisfaction in the previous year</i> • <i>Ensure that the Council is open and accessible to the community, service users and its own staff and committed to openness and transparency in its dealings including partnerships subject to the protection of confidentiality where necessary and appropriate.</i> 	<p>communication that residents and stakeholders can use, including social media, face to face, online and via the telephone.</p> <ul style="list-style-type: none"> • The council's 2015/16 budget was scrutinised by the Overview and Scrutiny Committee (OSC); recommendations were made by the OSC to Cabinet which were responded to and the reports published on the website. • Haringey Council's Consultation Charter sets out how the Council ensures that its consultation is effective and what can be expected from its consultation. This, together with consultation principles, is published on the website. During 2015/16, ten formal consultation processes were undertaken, with the results and outcomes published. • The Council has a wholly-owned company, Homes for Haringey Limited (HfH) and is a trustee of Alexandra Palace and Park (APP) under the terms of the current operating requirements. The Council provides advice and services to HfH and APP, which have their own board, constitution, memorandum and articles. The accounts of HfH and APP are incorporated into the group accounts of the London Borough of Haringey. • The Council has continued to work with Alexandra Palace and Park (APP) to ensure that corporate governance arrangements and internal controls are adequate and this was continued during 2015/16. The Council reviews annually the independent audit reports for both APP and HfH, no significant governance issues were raised by the organisations' auditors. • Cabinet agendas, reports and minutes are made available on the Council's website to provide transparency. Cabinet meetings are also broadcast via the Council website.

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4. Significant governance issues

4.1 The Council identified some key areas where work would be undertaken in 2015/16 to ensure governance arrangements were in place and effective. An action plan was drawn up and progress on this is set out below.

Issue	Action	Progress Update
Changes to the Homes for Haringey governance arrangements.	Interim changes to operational and management arrangements for Homes for Haringey were put in place from October 2014. Options on the future delivery of housing services will continue in 2015/16, with a report to Cabinet by the Chief Operating Officer planned for September 2015.	Complete.
Recording and publishing delegated decisions.	Directors and Assistant Directors reported via their assurance statements that, although decisions were taken in accordance with the constitution requirements, the recording and publishing of decisions taken was not always done, or done in a timely manner. Further work will need to be done in 2015/16 to ensure that this issue is addressed and all decisions are recorded and reported according to agreed requirements.	Complete.
Budget management – Children’s Service and Adult Social Services.	Both the Children’s Service and Adult Social Services reported significant budget overspends in 2014/15. Both Directors have formulated action plans designed to bring the services’ spending in line with approved budgets. These plans will be closely monitored both by officers and members during 2015/16.	Ongoing; forms part of the Priority Board projects and risk management work (and highlighted in 2015/16 AGS).
Corporate Programmes – demonstrating delivery outcomes.	The 2015-18 Corporate Plan outcomes are dependent on the successful delivery of the corporate programmes. These will need to start to demonstrate their benefits realisation objectives during 2015/16 in order to achieve the required outcomes and external funding commitments.	Ongoing; forms part of the Priority Board projects and risk management work.

- 4.2 The Council has identified the following significant governance issues during 2015/16. It is proposed over the coming year to take steps to address the governance issues in these areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

Issue	Action	Responsibility	Due date
The Council has identified significant budget overspends within Children's and Adult Social Services and the Housing (Temporary Accommodation) budget.	Ensure the demand-led budgets within Children's and Adult Social Services and Temporary Accommodation are managed effectively in 2016/17 to reduce the identified overspends.	Director of Children's Services; Director of Adult Services; Chief Operating Officer	March 2017
The Council's agreed Workforce Plan recognises the need to develop and manage staff effectively in order to deliver the Corporate Plan; new processes were piloted during 2016/17 to assist with this.	Ensure that the new performance management framework for employees is embedded effectively across all service areas in 2016/17; and use the outcomes to develop the council's training and development plans.	Assistant Director of Human Resources	March 2017
During 2015/16, the Council implemented new governance structures to deliver the outcomes in the Corporate Plan.	Revise the Council's Local Code of Corporate Governance: ensure that it reflects the new Priority Boards' governance structures and the 2016 best practice and mandatory guidance to enable effective reporting as part of the Annual Governance Statement.	Assistant Director of Corporate Governance	March 2017

5. Review of effectiveness

- 5.1 Haringey Council has responsibility 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 statements of assurance and annual governance self-assessments by each director and assistant director, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Risk Management's annual report, and also by comments made by the Council's external auditors and other review agencies and inspectorates.
- 5.2 The Assistant Director for Finance (April – October 2015) and the Chief Operating Officer (November 2015 – March 2016) who held the Council's statutory section 151 Officer role; the Assistant Director of Corporate Governance (the Council's Monitoring Officer); and the Head of Audit and Risk Management have also reviewed the work done by the Council relating to governance issues in 2015/16. Their comments on the key governance issues are as follows:
- Chief Operating Officer: There were fairly significant overspends in three areas in 2015/16: Children's and Adults Services and Temporary Accommodation; Children's and Adults Services had also reported overspends in 2014/15 as a result of additional demand on the services at the same time as both services were coping with budget reductions. Directors have been working to bring the services' spending in line with approved budgets, but further action in all these areas will be required during 2016/17.
 - Assistant Director of Corporate Governance: Following training to ensure that delegated decisions by Assistant Directors were recorded and published in line with statutory requirements, follow up reviews identified significant improvement had been made in this area in 2015/16 and the majority of decisions were in accordance with regulations. No other significant governance issues were identified during the year in relation to Monitoring Officer functions.
 - Head of Audit and Risk Management: The majority of the Council's key financial systems all received 'substantial' or higher assurance ratings from internal audit in 2015/16, with two systems (accounts payable; housing benefits) receiving 'limited' assurance. Work to assist schools to address control weaknesses continued in 2015/16 with substantially improved results: no school received a 'nil' assurance rating; two schools (out of eleven) received a 'limited' assurance rating; all other schools received a 'substantial' rating. Internal Audit continued to provide training and guidance for school governors, head teachers, and school finance staff to assist in maintaining and improving their performance in 2015/16; and an escalation process for schools that are found not to have implemented recommendations was agreed by Corporate Committee in November 2015. No other significant governance issues were raised by internal audit during 2015/16.
- 5.3 The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2015/16. The report concluded that in most areas across the Council, with the exception of those areas receiving 'limited' assurance, there are sound internal financial control systems and corporate governance arrangements in place, and that risk management arrangements are satisfactory. All high priority recommendations were confirmed as being implemented when internal audit completed the follow up reviews.
- 5.4 Directors and Assistant Directors have completed a statement of assurance covering 2015/16 which is informed by work carried out by heads of service and managers, internal audit, external assessments and risk management processes. The statements are used to provide assurance

that any significant control issues that have been brought to their attention have been dealt with appropriately. No significant governance issues, apart from those identified at paragraph 4.2 were recorded.

- 5.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) statements on the role of the Chief Financial Officer (CFO) and the role of the Head of Internal Audit (HoA) in public service organisations have both been incorporated into the Council's overall governance arrangements. During 2015/16, the Council has been able to confirm that CFO and HoA fulfilled all the requirements set out within the CIPFA statements, and assurance on this was obtained via internal and external audit reviews. No gaps in compliance were identified for either role.
- 5.6 The Leader of the Council and the Chief Executive have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Committee, and a plan to implement enhancements and ensure continuous improvement of the system is in place.
- 5.7 The evidence provided with regards to the production of the Annual Governance Statement has been considered by the Chief Executive and officers at the Statutory Officers' Group meetings on 3 and 31 May 2016 and by the Council's Corporate Committee on 28 June 2016, who concluded that the Council has satisfactory governance systems in place and satisfactory plans to address the identified issues to ensure improvement; these arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The Chief Executive and the Statutory Officers' Group are committed to implementing the action plan, strengthening and improving controls and keeping the effectiveness of the Council's corporate governance arrangements under review during the year.

Signed by:

Councillor Claire Kober
Leader of the Council

Nick Walkley
Chief Executive

Date:

Report for: Corporate Committee – 28 June 2016

Item number: 10

Title: The Local Government Counter Fraud and Corruption Strategy 2016-2019

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Anne Woods, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: anne.woods@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non-key decision

1. Describe the issue under consideration

- 1.1 The Government has published a three-year counter fraud and corruption strategy for local government in a bid to reduce the estimated £2bn lost nationally each year. This report informs Members of the Fighting Fraud and Corruption Locally (FFCL) Strategy 2016-19 (the Strategy) and the associated FFCL Companion publications.
- 1.2 The Strategy makes a number of recommendations that local authorities should consider to assist in improving counter-fraud activity. These have been included in the report for review by Members (Table 1); together with suggested further actions to be undertaken in 2016/17 for review and approval by the Corporate Committee.
- 1.3 The FFCL Companion document also includes a voluntary checklist which local authorities can measure themselves against to create an effective counter-fraud and corruption culture. The self assessment checklist is included at Appendix A for review by the Corporate Committee.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the Corporate Committee notes the content of the Strategy and Companion publications.
- 3.2 That the Corporate Committee confirms the recommended actions in response to the Strategy set out in paragraph 6.3; and the self assessment checklist set out in Appendix A.

4. Reasons for decision

4.1 The Corporate Committee is responsible for approving the Council’s counter-fraud strategy as part of its terms of reference. The FFCL publications are recommended good practice and should form part of the Council’s response to preventing and detecting fraud and corruption.

4.2 The publications, recommended actions and self assessment checklist are presented to inform the Corporate Committee of the Council’s approach and response to the Strategy. Further actions are included where improvements to the Council’s existing approach have been identified.

5. Alternative options considered

5.1 Not applicable.

6. Background information

6.1 The Strategy, Fighting Fraud and Corruption Locally (FFCL), will run from 2016 to 2019. The document sets out ‘The 6C’s for catching cheats’: culture; capability; capacity; competence; communication; and collaboration. It says there is a clear need for a tougher stance to be taken towards fraudsters: “This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks.” The document also warns that there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes.

6.2 The Strategy makes a number of recommendations specifically in relation to local authorities; these are set out in Table 1 below. There are some recommendations within the Strategy where the Council has identified further work could be done to achieve full compliance with the Strategy; the Council’s counter-fraud strategy and pro-active work plans will be cross referenced to the Strategy to ensure that best practice is incorporated into all counter-fraud work.

6.3 The Corporate Committee is asked to endorse the following actions in relation to those identified recommendations as follows:

Table 1 – FFCL Strategy Recommendations for Local Authorities

Ref	FFCL recommendation	Council response	Further action
1	There should be a structured programme on fraud and corruption awareness for elected members and senior managers.	Agreed.	Head of Audit and Risk Management to develop and deliver an appropriate awareness programme during 2016/17.
2	Local authorities should undertake up-to-date fraud and corruption awareness programmes and use the free resources developed by local authorities that are	Agreed.	The FFCL Good Practice Bank resources will be used to inform the awareness programme wherever possible.

Ref	FFCL recommendation	Council response	Further action
	available in the Fighting Fraud and Corruption Locally Good Practice Bank.		
3	Local authorities should collaborate where it is appropriate to do so and should place examples of useful outcomes in the Fighting Fraud and Corruption Locally Good Practice Bank and use this as a conduit to exchange information with each other.	Agreed. The Council's Fraud Team already liaises with other local authorities on key pro-active and reactive counter-fraud projects.	The FFCL Good Practice Bank resources will be used to exchange information wherever appropriate.
4	Local authorities should profile their fraud and corruption risks using the section on risks from the Fighting Fraud and Corruption Locally Companion document as a starting point.	This is already undertaken as part of the ongoing fraud risk assessment process.	N/A
5	Local authorities should ensure that they have the right resources in place by having made an assessment of the risks on fraud and corruption which should be reported to the Audit Committee or similar.	Agreed.	This will be done during 2016/17.
6	Senior officers within local authorities should ensure that officers working in the counter fraud team should be provided with appropriate accredited training.	Staff within the Fraud Team are accredited. Networking and training events are used to maintain skills and knowledge.	Further training will be undertaken during 2016/16 in accordance with needs identified during My Conversation processes.
7	Senior officers within local authorities should ensure that officers who work in areas where they might encounter fraud and corruption have appropriate training.	Agreed.	See response to recommendation 1.

Ref	FFCL recommendation	Council response	Further action
8	Local authorities should continue to work together on counter fraud hubs or, should investigate the benefits of joining hubs, and should share information where possible to help each other increase resilience to fraud and corruption and establish best practice.	The Council participates in several data sharing hubs for tenancy and housing waiting list information.	This will be ongoing during 2016/17 as further counter-fraud hubs are developed.
9	Local authorities should participate in data technology pilots to improve their efforts to detect and prevent fraud and corruption.	Agreed. The Council has been working with other public and private sector partners in 2015/16 to improve information sharing processes	Ongoing processes during 2016/17.
10	Local authorities should publicise and celebrate successes. Press stories should be collated on the Fighting Fraud and Corruption Locally Good Practice Bank and, where possible, publicity should be endorsed and promoted by the Department for Communities and Local Government.	Agreed. The Council already provides regular press briefings on successful counter-fraud projects.	The good practice bank will be used where appropriate to promote the council's counter-fraud work.
11	Local authorities should make an assessment using the Fighting Fraud and Corruption Locally Companion Checklist, increasing awareness of the UK's Anti-Corruption Plan, make themselves aware of National Crime Authority advice, ensure that staff are trained on anti-bribery and corruption, and report this to their Audit Committee together with actions to	Agreed.	Completed as part of this assessment.

Ref	FFCL recommendation	Council response	Further action
	meet the criteria set out in the Plan.		
12	Local authorities should use the free CIPFA Code of Practice on Managing the Risk of Fraud and Corruption to ensure a common standard.	This is already part of the Fraud Team's risk assessment processes.	N/A
13	Local authorities should make sure that they have in place robust reporting procedures including whistle-blowing and that these include assessment through the BSI or Public Concern at Work and that staff are trained in this area.	This is already in place and outcomes are reported to the Corporate Committee.	N/A
14	Local authorities that do not have their own housing stock should consider working with their housing partners, in return for nomination rights, to prevent and detect social housing fraud.	Not applicable. However, the Fraud Team do work with other social housing providers to support their tenancy fraud work.	N/A
15	Where appropriate local authorities should consider participating in the Tenancy Fraud Forum.	Agreed.	This will be done during 2016/17.
16	Local authorities should work with partners on relevant procurement projects and pilots and disseminate information as appropriate.	Agreed.	This is being developed as part of the partnership working with other public and private sector partners.
17	Local authorities should look at insider fraud and consider using the Internal Fraud Database at CIFAS following the London Borough of Ealing pilot.	Agreed.	This will be reviewed in 2016/17 when the Ealing pilot has been completed.
18	Local authorities should horizon scan and explore	This is already completed as part of	N/A

Ref	FFCL recommendation	Council response	Further action
	new areas, e.g.cyber and identity issues and explore new methods to detect fraud, e.g.behavioural insights.	the ongoing fraud risk assessment processes.	
19	Local authorities should use the Fighting Fraud and Corruption Locally Companion Checklist to ensure that they have the right counter fraud and anti-corruption measures in place and should report the results of this to their Audit Committee and the External Auditor.	Completed.	Will be reviewed on a regular basis during the lifetime of the 2016-19 FFCL Strategy.

6.4 The completed self assessment checklist at Appendix A confirms that the Council is complying with recommended best practice from the Companion in most areas. Where further action has been identified, the Corporate Committee is asked to endorse this.

6.5 An action plan will be developed to incorporate all agreed recommendations; this will be provided to the Corporate Committee during 2016/17 to update Members on progress.

7. Contribution to strategic outcomes

7.1 The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The costs of the counter-fraud work completed by the Fraud Team are contained and managed within the Audit and Risk Management revenue budget.

The financial benefits to the Council of the work completed as part of the ongoing counter- fraud work are realised by services across the Council. Ensuring that the counter-fraud work meets best practice standards will assist the Council to deploy its resources more effectively.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and advises that in view of the fact that the proposed actions in response to the Strategy have been formulated with reference to the

contents of the Strategy, there are no direct legal implications arising out of the report.

8.3 Equality

There are no direct equality implications for the Council's existing policies, priorities and strategies. However, ensuring that the Council has effective counter-fraud arrangements in place will assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix A – Fighting Fraud and Corruption Locally Companion – Self Assessment Checklist

Appendix B – Fighting Fraud and Corruption Locally – Strategy 2016-19

Appendix C – Fighting Fraud and Corruption Locally – The Companion

10. Local Government (Access to Information) Act 1985

Not applicable

The Fighting Fraud and Corruption Locally (FFCL) Companion Self Assessment Checklist

The following guide is a suggested voluntary checklist, describing a standard that a local authority can measure itself against to create an effective counter fraud and corruption culture and response:

Ref	FFCL Companion Checklist Recommendations	Council's Self Assessment
1	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	Yes, the key fraud risks have been identified and are included in the annual counter-fraud plan.
2	The local authority has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks.	Yes, the key and emerging fraud risks are included in the Fraud Risk Register and an assessment of local and national fraud risks is undertaken every six months; the counter-fraud plan is adjusted depending on any emerging high risk areas.
3	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2016 and this checklist.	Yes, The Head of Audit's annual report details the outcomes of the counter-fraud work undertaken during the previous year; quarterly updates are provided to the Corporate Committee.
4	There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	Yes, there is a counter-fraud and corruption strategy in place; the last update was completed and approved by the Corporate Committee in 2015. Regular updates are provided to all staff via newsletters; and articles in Haringey People and Home Zone target the wider borough community.
5	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	Yes, the Council's various HR, IT Security and procurement policies include key counter-fraud requirements.
6	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	Yes, fraud risk is included in key service area and Priority Board risk registers.
7	Counter fraud staff are consulted to fraud proof new policies, strategies and initiatives across departments and this is reported upon to committee.	No, not automatically. However, advice is sought as part of the risk based audits completed; any reactive fraud investigations; and the Organisation Impact Assessment

Ref	FFCL Companion Checklist Recommendations	Council's Self Assessment
		process for the Resources Board. The Head of Audit will discuss this with Priority Owners during 2016/17.
8	The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	Yes, part of the risk based counter-fraud assessment and project processes; National Fraud Initiative investigations. All counter-fraud outcomes are reported to Corporate Committee.
9	The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: <ul style="list-style-type: none"> • codes of conduct including behaviour for counter fraud, anti-bribery and corruption; • register of interests; and • register of gifts and hospitality. 	Yes, part of HR employee Code of Conduct; Member declaration of interest processes; and HR policies on conflicts of interest and gifts and hospitality. Assurance obtained via annual governance statement returns by directors and assistant directors; and regular internal audit reviews.
10	The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in <i>FFCL 2016</i> to prevent potentially dishonest employees from being appointed.	Yes, part of standard HR processes; annual checks via internal audit key financial systems reviews.
11	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	Yes, annual process for members; regular reminders to all staff regarding requirements. Reported to Corporate Committee when audits undertaken.
12	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	Yes, there is a counter-fraud work plan in place which is agreed with and communicated to senior managers.
13	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Yes, publicised via the council website, newsletters and local/national media as required (depending on the case and the outcome).
14	There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	Yes, part of the counter-fraud policy. Reports to Corporate Committee on use and outcomes are made on a quarterly basis and also in the Head of Audit annual report.
15	Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	Not part of standard council contract terms and conditions, but was raised as a recommendation in the 2015/16 audit review of whistleblowing arrangements. Action plan in place to address this going forward; this will

Ref	FFCL Companion Checklist Recommendations	Council's Self Assessment
		be tested as part of the audit follow up processes to ensure compliance.
16	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	Yes, annual review of resources is undertaken alongside the key fraud risk assessment.
17	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	Annual counter-fraud plan is in place and currently approved by Statutory Officers Group.

Fighting Fraud & Corruption

LOCALLY

The local government counter fraud and corruption strategy

2016 - 2019



Supported by:



**CIPFA COUNTER
FRAUD CENTRE**

Contents

Foreword by Cllr Claire Kober	04	– Powers	17
Foreword by Marcus Jones MP	05	– Barriers to Information Sharing	17
Executive Summary	06	– Incentives	18
Introduction	08	Section 2: The Strategic Response	19
Section 1: The Fraud Challenge	10	Turning Strategy into Action	20
The Scale of Fraud Losses	10	– The Themes – Six Cs	20
Changes to the National and Public Sector		Areas of Focus	20
Counter Fraud Landscape	11	– 1. Leadership	20
– The National Response to Serious and		– 2. Assessing and understanding the	
Organised Crime	11	scope of fraud and corruption risks	21
– Anti-Corruption	12	– 3. Making the business case	21
– The Public Sector Fraud Response	12	– 4. Using resources more effectively	22
– Fighting Fraud Locally 2011	13	– 5. Collaborating to improve	22
– Police Resources	13	– 6. Using technology to tackle fraud	23
– Whistleblowing Arrangements	14	– 7. Tackling corruption	24
– The Transparency Code	14	Section 3: Delivery Plan	25
Issues raised directly by Stakeholders	15	Recommendations	25
– Counter Fraud Capacity	15	– General Recommendations	25
– Skills	15	– Recommendations for local authorities	25
– Culture	15	Framework for Delivery	26
– Collaboration	15	– Deliverables	26
– Types of Fraud	15	Thank you	27

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. Its production and subsequent implementation is overseen by an independent board, which includes representation from key stakeholders. The board commissioned the drafting and publication of the strategy from the CIPFA Counter Fraud Centre.

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.



With support from:



Foreword by Cllr Claire Kober

Since the last Fighting Fraud Locally Strategy was published in 2011, the landscape has changed considerably for local government. Councils have dealt with unprecedented reductions in funding – up to 40% of central funding over the life of the previous Parliament and further real term reductions announced in the November 2015 Spending Review.

Rather than taking the approach of managing decline, councils have innovated, collaborated and prioritised in order to protect vital services.

Innovation is as important in fighting fraud as any area of council activity to keep ahead of fraudsters and prevent resources being taken away from delivering services to those who need them.

The transfer of welfare benefits fraud investigation staff to the DWP's Single Fraud Investigation Service means that councils need to reconsider how they counter other areas of fraud. The new Fighting Fraud and Corruption Locally Strategy is timely and should be of great help to councils in developing new approaches.

There are many examples of success but it is worth focussing on the Audit Commission's annual report in October 2014 that reported a 400% increase in right to buy fraud in London; a fact which we in Haringey anticipated over two years ago when the maximum discount available to purchase a home under the right to buy scheme was increased to £100k.

Our Fraud Team in Haringey has been working pro-actively with services across the council since 2013 to investigate potential right to buy fraud. Joining up housing, benefits and fraud teams effectively has meant that we have prevented over 120 cases of right to buy fraud, saving £12m in discounts and retaining the property for use as much needed social housing.

Where we have identified tenancy and benefit fraud alongside the right to buy fraud, we recover the property to help provide homes for those people and families in most need; and we are prosecuting the most serious cases. Secondly, our Benefits Team has been working to make it more difficult for fraud and error to occur in the first place.

Claimants are now asked to periodically resubmit current evidence of their circumstances, especially

their income, and long running claims are now reviewed in depth more often, particularly in high risk areas – those where circumstances might be expected to have changed.

We are also making it easier for claimants to tell us of changes in circumstances and reminding them that they need to tell us, and we are looking at sharing data with other agencies. Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant.

Councils do have a good record in countering fraud and the strategy contains numerous case studies and examples of successes. Councils also have an excellent record in collaboration with the LGA's improvement team recording more than 350 successful examples of councils working together to save money and improve services, and collaboration to counter and prevent fraud is a theme running through the strategy.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work.



Claire Kober

Chair Resources Portfolio Local Government Association and Leader Haringey Borough Council

Foreword by Marcus Jones MP

Fraudsters cost the local tax payer many millions of pounds each year. Indeed the estimated loss of £2.1bn quoted in this Strategy is felt to be an underestimate of the total cost to local government.

This is of concern as much to central government as it is to councils. The Strategy rightly places an emphasis on council leaders, chief executives and finance directors to provide the local leadership to take action to protect the public purse.

At a time when every penny should be invested in delivering high quality services to local people, tackling fraud head on should be a priority.

The recent figures from the Office of National Statistics show that an increasing amount of fraud is being reported to the police, Cifas and Financial Fraud Action UK.

The risks are clear, councils must ensure they are active in looking for and identifying fraud and embedding a counter fraud culture at the heart of their organisation.

Currently there is a disparity of effort in tackling this kind of criminal activity across the sector, this is a concern. Some invest in dedicated counter fraud activity and some do not, and the Strategy is right to point out that councils should take an 'invest to save' approach.

I know this is not easy, there have been some successes but more councils need to go further. The Government has helped councils, and last year provided an injection of £16m through the Counter Fraud Fund to support a wide range of council led projects across the country.

The challenge is now for local government to build on this investment, share the learning, and raise the bar. A clear message needs to be sent to fraudsters that councils won't put up with fraud of any sort. As the Strategy says – it is about having robust systems in place to prevent fraud occurring in the first place.

To look in the right areas, by taking a risk based approach to identify fraud, and where fraud is found to publicise it widely and use it as deterrent. And councils will be judged by their residents on their results.

I fully believe the onus lies rightly at the top of the organisation to set the tone and culture that councils are serious and won't tolerate fraud, that all parts of the organisation have a job to build fraud resilience into their systems, to actively look for, and where they find it prosecute fraudsters.

I hope and expect this strategy to be the spring board for councils to go further than before.



Marcus Jones MP

Parliamentary Under Secretary of State
(Minister for Local Government)

Executive Summary

Fighting Fraud and Corruption Locally is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters account more quickly and efficiently, and improve the recovery of losses.

This strategy is aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategy, written in 2011.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tougher stance. This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks.

In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

This will offer opportunities to support the National Crime Agency in the fight against organised crime and work with the CIPFA Counter Fraud Centre, which has agreed to take on the hosting of Fighting Fraud and Corruption Locally, and other leaders in this field. Local authorities reported that they were still encountering barriers to tackling fraud effectively, including incentives, information sharing and powers.

The strategy also addresses the issue of new anti-corruption measures for local authorities and integrates the relevant elements of the government's Anti-Corruption Plan.

In response to these challenges, local authorities will need to continue to follow the principles developed in Fighting Fraud Locally 2011 (FFL):

- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

This strategy sets out ways in which local authorities can further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes that emerged from the research:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

“At a time when resources are becoming ever more scarce, all of us involved in delivering local public services are looking at ways of doing more with less. Acknowledging the risk of fraud and committing resources to tackle it, taking steps to prevent fraud and pursuing offenders must be part of the answer. What we have learnt as a consequence of our continuing work is that success in this field depends not just on what you do but how you do it. Having an embedded anti-fraud approach across an organisation is critical to success and by focusing this strategy on the cross cutting themes of culture, capability, capacity, competence, communication, and collaboration will in my view help ensure that an anti-fraud approach becomes integral to the way we work.

”

Charlie Adan

Chief Executive Babergh and Mid Suffolk

The Companion to this document contains a section on each of these themes, with information on fraud risks, good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

This strategy also identifies the areas of focus that will make the most difference to local authorities' counter fraud efforts. These are:

- Leadership
- Assessing and understanding the scope of fraud and corruption risks
- Making the business case
- Using resources more effectively
- Collaborating to improve
- Using technology to tackle fraud
- Tackling corruption

Many local authorities have demonstrated that they can tackle fraud innovatively and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings.

For example:

- Birmingham City Council, working with other agencies, secured a confiscation order against 2 organised fraudsters of £380,000
- The London Borough of Lewisham, working with Lewisham Homes, recouped £74,000 from one internal fraudster
- The Royal Borough of Kensington and Chelsea, by using data matching techniques to prevent fraud, made savings of £376,000 in the first year, and £250,000 for the following two years.

This strategy has been designed for local authorities by local authorities and other stakeholders. It provides a firm and practical basis to help them to take the next steps in the continuing fight against fraud and corruption.

The strategy:

- Calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- Illustrates the financial benefits that can accrue from fighting fraud more effectively
- Calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- Updates and builds upon *Fighting Fraud Locally 2011* in the light of developments such as *The Serious and Organised Crime Strategy* and the first *UK Anti-Corruption Plan*
- Sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

It is now for elected members, chief executives, finance directors, and all those charged with governance to ensure this strategy is adopted and implemented in their local authorities.

Introduction

This strategy document is aimed primarily at elected members, chief executives, finance directors, and those charged with governance in local authorities. A companion document aimed at counter fraud practitioners in local authorities has been produced, which lays out detailed actions for them. The strategy 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.

The strategy is based upon research carried out by the CIPFA Counter Fraud Centre.

This consisted of:

- Workshops conducted in York, Birmingham and London with over 90 attendees
- Twelve individual interviews with key stakeholders from the counter fraud landscape including local authority representative groups, the National Anti-Fraud Network, the Home Office and the Audit Commission
- Specific focussed interviews with subject matter experts
- Three regional workshops attended by around 70 practitioners focussed on particular fraud types and barriers
- A workshop focussing on anti-corruption risks
- A survey placed on the website of the Local Authority Investigators Group on fraud risks and barriers
- Desktop research of publications and counter fraud literature, including new legislation. These documents are listed in The Companion.

By following this strategy local government will be better able to protect itself from fraud and corruption and will provide a more effective fraud response.



Our vision is that by 2019:

- There is a culture in which fraud and corruption are unacceptable and everyone plays a part in eradicating them
- By better understanding of risk and using technology local authorities will shut the door to fraudsters who try to access their systems or services
- Local authorities will have invested in sustainable systems to tackle fraud and corruption and will see the results of recovery
- Local authorities will be sharing information more effectively and by using advanced data technology will prevent and detect losses
- Fraudsters will be brought to account quickly and efficiently and losses will be recovered.

Since the first local government counter fraud strategy, *Fighting Fraud Locally*, was published in 2011, local authorities have made significant progress in tackling fraud by acknowledging and understanding the risks they face and by collaborating, making more use of technology and information sharing to prevent fraud.

In addition, local authorities have made good use of legislation to recover assets and to take action against fraudsters. There are many examples in this document and the companion that demonstrate the efforts and achievements of local authorities despite reductions in resources and a changing enforcement landscape.

Local authorities should be commended for their part in the fight against fraud and other agencies should learn from their good practice. However, the scale of losses demonstrate that more needs to be done. The landscape continues to change and local authorities will need to respond within the context of budget reductions. There is a need to do more with less.

This document is divided into three sections:

Section 1: The Fraud Challenge

Sets out the nature and the scale of fraud losses, the changes to the national and public sector fraud landscape that require a response from local authorities, and the key issues raised by stakeholders.

Section 2: The Strategic Response

Describes the response that is required from local authorities to address the challenges it is facing, identifying the activities necessary in order to achieve the strategic vision.

Section 3: Delivery Plan

Sets out the recommendations and the framework for delivery.

The Companion

This additional document is aimed at counter fraud practitioners in local authorities and taken together with this strategy sets out a comprehensive blueprint for counter fraud and corruption activities that will deliver the vision.

It identifies the most pressing and serious fraud risks and sets out ways of tackling them, as well as identifying the key organisations that local authorities should work with and the roles they play.

“

Birmingham City Council has invested in creating an anti-fraud culture for some years and a number of examples of its good practice are contained within this document.

At Birmingham City Council, we are committed to protecting the public funds that we are entrusted with. In these times of austerity, the minimisation of losses to fraud and corruption is even more important in ensuring that resources are used for their intended purpose of providing essential services to the citizens of Birmingham.

Through our values, policies and procedures, the council has sought to develop an anti-fraud culture and maintain high ethical standards in its administration of public funds. Anyone who commits, or attempts to commit, fraudulent or corrupt acts against the council, will be held to account in a decisive manner.

The work of our Counter Fraud Team in identifying fraud is invaluable in ensuring that our scarce resources are protected. The development of a sophisticated data analysis capability enables the team not only to detect fraud, but helps our frontline services to prevent it as well. This helps to make sure that the council's services are provided to only those in genuine need and that our valuable resources are directed to where they are needed most”.

Mark Rogers

Chief Executive, Birmingham City Council

Section 1: The Fraud Challenge

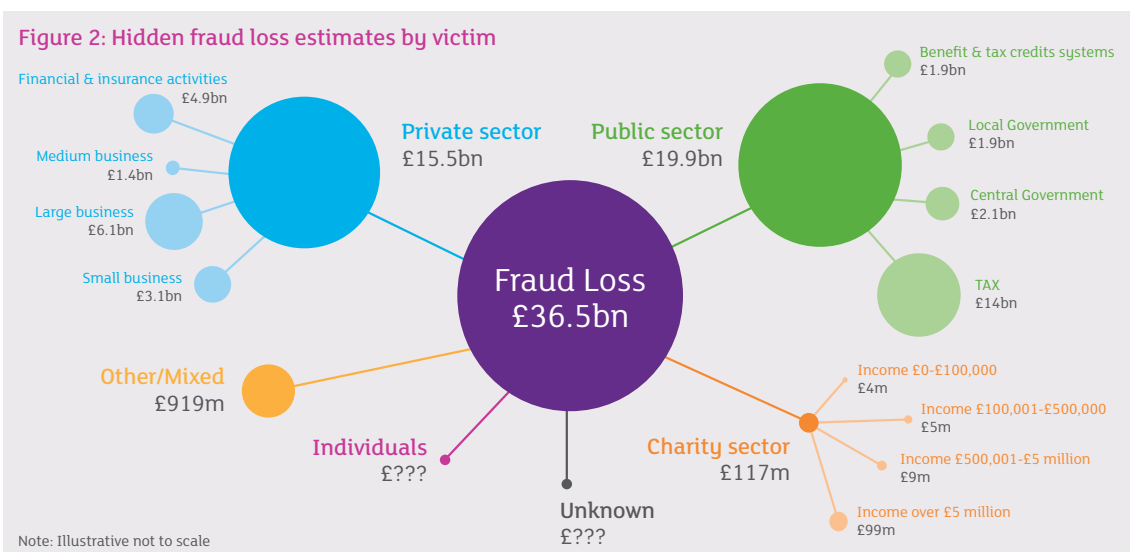
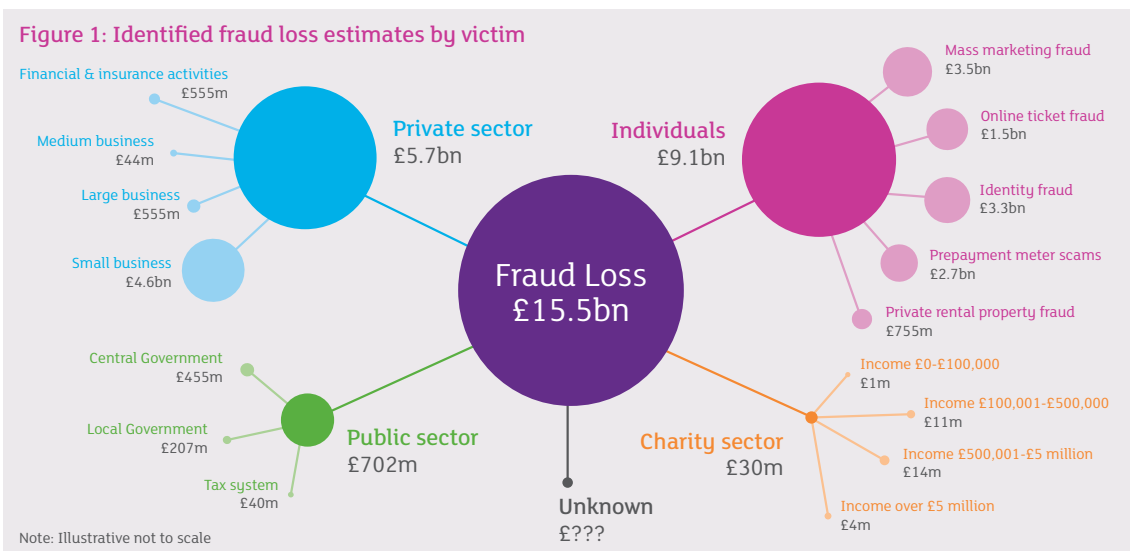
In compiling the evidence that underpins this strategy it became clear that there are three main areas of concern that necessitate a coordinated response from local authorities:

- The scale of fraud losses
- Changes to the national and public sector counter fraud landscape
- Issues raised directly by stakeholders.

The Scale of Fraud Losses

It is accepted that fraud affects the UK across all sectors and causes significant harm. The last, most reliable and comprehensive set of figures was published by the National Fraud Authority in 2013, and indicates that fraud may be costing the UK £52bn a year.

Within these figures the estimated loss to local authorities totalled £2.1bn. The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:



Annual Fraud Indicator 2013

Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated Loss	Fraud Type	Estimated Loss
Housing tenancy fraud	£845m	Blue Badge Scheme misuse	£46m
Procurement fraud	£876m	Grant fraud	£35m
Payroll Fraud	£154m	Pension fraud	£7.1m
Council Tax fraud	£133m		

Annual Fraud Indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss.

The Audit Commission's Protecting the Public Purse 2014 identified detected fraud to the value of £188m following a comprehensive survey of local authorities: this was fraud after the event and did not include potential losses.

Local authorities detected 3% fewer cases of fraud than in the previous exercise but the value increased by 6%, which implies larger fraud cases.

It is clear, even allowing for inaccuracies in the measurement of fraud risk and the absence of recent data, that like other sectors of the economy local government is under attack from fraudsters and the scale of losses to local authorities is significant. There are opportunities for local authorities to take action to reduce their losses, and these are discussed in Section 2 of this document.

Changes to the National and Public Sector Counter Fraud Landscape

Since Fighting Fraud Locally was published in 2011, there have been significant changes in the landscape nationally, including areas covering organised fraud and anti-corruption.

The National Response to Serious and Organised Crime

The National Crime Agency was created in October 2013, and in May 2014 published the National Strategic Assessment of Serious and Organised Crime. Organised crime costs the United Kingdom £24bn each year and includes drug trafficking, human trafficking, organised illegal immigration,

high value crimes, counterfeiting, organised acquisitive crime and cybercrime.

Serious and organised criminals operate across police force boundaries and in complex ways, and the police require sophisticated capabilities to detect and disrupt their activity. The Government invested in the development of the Regional Organised Crime Unit (ROCU) network to ensure that forces have access to the capabilities they need to tackle these threats. Regional Organised Crime Units provide high end specialist capability, including regional fraud teams, to local forces tackling the threat from serious and organised crime in their region.

Action Fraud is the national reporting point for fraud and also cyber crime. As of April 2014, both Action Fraud and the NFIB are run by the City of London Police, which is the UK's lead force for fraud. This change was made by the Government to ensure that one body was responsible for the whole process of recording and analysing reports of all types of fraud.

Organised crime affects local authorities as well as other organisations. The Government launched a new Serious and Organised Crime Strategy in October 2013. Its aim is to substantially reduce the level of serious and organised crime affecting the UK and its interests. All frauds, including those committed within the context of local government should be reported to Action Fraud, either by calling: **0300 123 2040** or by visiting: www.actionfraud.police.uk/report_fraud.

The National Crime Agency (NCA) leads work against serious and organised crime, coordinating the law enforcement response, ensuring that action against criminals and organised criminal groups is prioritised according to the threat they present.

Police forces will continue to conduct most law enforcement work on serious and organised crime. They should be supported by local organised crime partnerships boards, including local authorities and

agencies to ensure all available information and powers are used against this threat.

Local government is not immune from organised fraud. Recent years have seen a number of fraud cases where perpetrators have been part of a larger criminal network. Organised frauds often cross local authority boundaries and investigations tend to be complex, requiring the deployment of specialist resources, such as computer forensics or surveillance capability. Such resources are expensive and expertise needs to be used constantly to maintain effectiveness.

Although organised crime may not immediately seem to be a direct threat to local authorities, many organisations have already been subjected to fraud, money laundering, identity crime, intellectual property crime and theft of assets. Local authorities may be targeted by organised crime, whether to obtain council resources or to fund other activities. Local authorities need to consider how they can protect their employees, communities, businesses and themselves from the threat of organised crime.

Anti-Corruption

On 18 December 2014 the Home Office published the first UK Anti-Corruption Plan. The aim of the plan is to bring about a co-ordinated and collaborative approach, setting out clear actions and priorities. The plan covers both UK and international activities, and includes local government.

“

Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question.

However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.”

Prof Alan Doig – Visiting Professor,
Centre for Public Services Management,
Liverpool Business School, Liverpool John Moores University

The response to corruption follows the UK's four components of the Serious and Organised Crime Strategy:

- **Pursue:** prosecuting and disrupting people engaged in serious and organised criminality
- **Prevent:** preventing people from engaging in serious and organised crime
- **Protect:** increasing protection against serious and organised crime
- **Prepare:** reducing the impact of this criminality where it takes place.

The plan sets out the immediate priorities for the government, which are to build a better picture of the threat from corruption, increase protection and strengthen the law enforcement response.

Local authorities are included in a number of areas within the plan as well as within a specific section. There are areas to which they should pay close attention and ensure that they have suitable arrangements in place and that they are up to date on current arrangements. It will require a change in culture and competence.

Local government is targeted by those who wish to corrupt local processes, such as housing or planning, for their own gain; and organised crime groups are known to target local officials to consolidate their status in communities.

UK Anti-Corruption Plan, December 2014

The NCA's Economic Crime Command also has a responsibility in respect of anti-bribery and anti-corruption. It is working with the CIPFA Counter Fraud Centre to raise awareness in this area and recommends a policy of zero tolerance to bribery and corruption, which should be endorsed by the chief executive, sound whistleblowing procedures and awareness training. The NCA also recommends reflecting the commitment in all relevant policies.

The Public Sector Fraud Response

The Cabinet Office published Tackling Fraud and Error in Government: a Report of the Fraud, Error and Debt Taskforce in 2012. That report set out an ambitious but focused delivery programme that sought to reduce levels of fraud and error across government.

In his foreword, The Rt. Hon. Francis Maude wrote: “We must continue to work together to support the national fraud strategy Fighting Fraud Together, and demonstrate the significant financial benefits that can be made in reducing the harm of fraud and error in the public sector.”

The Fraud, Error and Debt Taskforce was established under the 2010 to 2015 Conservative and Liberal Democrat coalition government, and was the strategic decision-making body for all fraud and error, debt and grant efficiency initiatives across government.

It met 6 times a year and included ministers, senior officials from relevant government departments, and experts from the private sector and the wider public sector. As a result of its work, this government is putting in place a fraud, error, debt and grants function and is reviewing associated groups.

As a result of the Taskforce’s work, central government is driving ahead with a broad agenda of activity on fraud, error, debt and grants. This include the roll out of the Debt Market Integrator, a new way of collecting public sector debt and developing capability across central government in countering fraud through the development of government standards for counter fraud work. It also includes projects to enhance the use of data analytics across government and increasing the efficiency and effectiveness of government grant

The National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud, is now under the control of the Cabinet Office. The NFI team continues to carry out data matching work with local authorities.

Fighting Fraud Locally 2011

Fighting Fraud Locally, published in 2011, was the first counter fraud strategy for local authorities. It set out the challenges facing local authorities and the response required, noting the good work already carried out and proposing action to overcome the barriers to further progress.

The initiative was supported and hosted by the National Fraud Authority (NFA), which led engagement with local authorities through an independent board on which stakeholders such as the Local Government Association, the Department

for Communities and Local Government, and counter fraud experts working in local authorities were represented.

As a result of Fighting Fraud Locally, local authorities and central government undertook many activities. The DCLG set up working groups to look at the areas raised by local government as barriers. Local authorities took part in around 34 pilots set by the NFA, an annual conference was set up, and an awards regime was established which eventually grew to include the whole public sector.

The NFA undertook an extensive engagement campaign with a national roadshow and events to publicise the work and garner support. It engaged CIPFA to provide a survey on FFL actions which began in 2012, and commissioned free tools and guides under the banner of FFL.

Following the abolition of the NFA in March 2014, most of its work was transferred into the National Crime Agency. Overseeing the delivery of the action plan associated with Fighting Fraud Locally remained the responsibility of the independent board. In October 2014, the Chartered Institute of Public Finance and Accountancy (CIPFA), which was already providing pro bono support by hosting the Fighting Fraud Locally web pages and providing several guides and tools, was asked by the independent board to take over the secretariat and begin research for the next iteration of the strategy.

The CIPFA Counter Fraud Centre now hosts Fighting Fraud and Corruption Locally, manages the secretariat and holds the Fighting Fraud and Corruption Locally Good Practice Bank.

Police Resources

Local authorities collaborate with the Police where appropriate. The law enforcement response to fraud is led by the City of London Police, which is the national lead force for fraud. The City of London Police runs Action Fraud, the national reporting service for fraud and cyber-crime.

It is not only local authorities that are affected by changes in the landscape and a reduction in resources due to the need to curb public expenditure: other enforcement agencies are also facing reductions. It is the view of local authorities that police will have reduced resources to support local authorities on tackling local authority led fraud.

Local authorities will therefore need to consider how they can achieve the results necessary by reconfiguring their approach to enforcement

Whistle-blowing Arrangements

The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing a comprehensive, management-led, anti-fraud and corruption culture needs to be maintained, including clear whistle-blowing arrangements.

These arrangements should ensure that staff and the public have access to a fraud and corruption whistle-blowing helpline, and should be kept under review.

The terms should conform to the British Standards Institute 2008 Whistle-blowing Arrangements Code of Practice as updated within the Code of Practice published in 2013 by the Whistle-blowing Commission set up by Public Concern at Work.

The Department for Business, Innovation and Skills, also recently published Whistle-blowing Guidance and a Code of Practice (March 2015) this helps employer's understand the law relating to whistle-blowing and provides practical advice for putting in place a robust whistle-blowing policy .

The NAO is available as a prescribed body to take calls from whistle-blowers and the NAO has good practice on its website.

“

Whistleblowing arrangements help to provide employees of public bodies, and users of public services with confidence that wrongdoing or the misuse of public funds can be investigated by an independent and impartial party. This is all the more important where services are subject to considerable change and innovative ways of delivering those services are adopted.

The Head of the National Audit Office is a prescribed person for central government, and from 1 April will also be a prescribed person for local government – we take our responsibilities to provide an impartial and objective service extremely seriously, and draw on the lessons learned from our wider work, to support those who make reports to us.”

Sue Higgins

Executive Leader, National Audit Office

The Transparency Code

DCLG published The Transparency Code on 31 October 2014. The aim is to strengthen transparency within local government. It also affords the opportunity for residents to see how money is spent. The section in respect of local authorities is also referred to in the UK Anti-Corruption Plan as an aid to making anti-corruption issues more transparent.

The Code sets out requirements for local authorities to report on their counter fraud work:

The Code legally requires local authorities to publish annually details of their counter fraud work, including information about the number of occasions they use powers to obtain information from specified bodies to help investigate cases of fraud, the number of staff investigating fraud cases and the number of fraud cases they have investigated.

Specifically, local authorities must publish the following information about their counter fraud work:

- number of occasions they use powers under The Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated.

The Code also recommends that local authorities publish details about the number of cases where fraud and irregularity has been identified and the monetary value for both categories that has been detected and recovered.

The above is an extract from the UK Anti Corruption Plan

Issues Raised Directly By Stakeholders

In addition to considering relevant policy and academic research, the foundations for this strategy were researched through a series of workshops, surveys, and face to face individual meetings.

There were many instances of good practice, collaborative working and examples of innovative use of data provided by participants.

Local authorities reported issues in the following areas:

Counter Fraud Capacity

Many local authority practitioners reported that the capacity to tackle fraud and corruption was likely to be reduced, or had already been reduced, as a result of austerity-related local authority funding reductions.

In many cases practitioners also reported that the skilled investigation resource transferred to the Department for Work and Pensions Single Fraud Investigation Service (SFIS) had not been replaced, and some stated that after the SFIS transfer their authority would have no fraud team.

Skills

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Some local authorities stated that they would recruit new staff or transfer staff into fraud-related work post SFIS, but raised the concern that they did not have budgets to train their staff to tackle new areas.

Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to the focus being on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated.

Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments, and the private sector; but reported a range of difficulties in securing progress.

Some examples of this were: counter fraud work not being consistently prioritised; lack of financial incentives to make the business case; a lack of understanding of data protection rules; and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to obtain police involvement in their cases and that they did not receive feedback on cases from crime reporting hotlines.

“In times of austerity, collaboration is key. It is of increasing importance to consolidate the approach to fighting fraud and corruption across public services to better inform strategies and to gain a more comprehensive picture of the fraud landscape. We have created CIPFA’s Counter Fraud Centre to lead on creating a coordinated approach, as well as offering thought leadership and to fill the gaps led by others.”

Fraud is a pointless drain on resources emphasised by the need for local authorities to save every penny, but we are committed to helping authorities work together to tackle fraudulent activity, protecting the public pound.

Rob Whiteman, CEO CIPFA

Types of Fraud

Local authorities reported a wide range of fraud types. The main areas of fraud that were reported in Fighting Fraud Locally 2011 continue to feature as significant risks. However, there are also new fraud types emerging and some of these are more prevalent in particular parts of the country. It is clear that a one size fits all approach is not appropriate: local authorities will need to tailor their approach to their particular fraud risks.

Known Fraud Risks Remaining Significant

Tenancy – Fraudulent applications for housing or successions of tenancy, and subletting of the property.

Procurement – Tendering issues, split contracts, double invoicing.

Payroll – False employees, overtime claims, expenses.

Council tax – Discounts and exemptions, council tax support.

Blue Badge – Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees.

Grants – Work not carried out, funds diverted, ineligibility not declared.

Pensions – Deceased pensioner, overpayments, entitlement overstated.

Schools – Procurement fraud, payroll fraud, internal fraud.

Personal budgets – Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim.

Internal fraud – Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling council property for personal gain; wrongfully claiming benefit while working.

Identity fraud – False identity / fictitious persons applying for services / payments.

Emerging / Increasing Fraud Risks

Business rates – Fraudulent applications for exemptions and reliefs, unlisted properties.

Right to buy – Fraudulent applications under the right to buy/acquire.

Money laundering – Exposure to suspect transactions.

Insurance Fraud – False claims including slips and trips.

Disabled Facility Grants – Fraudulent applications for adaptations to homes aimed at the disabled.

Concessionary travel schemes – Use of concession by ineligible person, including Freedom Passes.

No recourse to public funds – Fraudulent claim of eligibility.

New Responsibilities – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.

Commissioning of services – Including joint commissioning, third sector partnerships – conflicts of interest, collusion.

Local Enterprise Partnerships – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.

Immigration – Including sham marriages. False entitlement to services and payments.

Cyber dependent crime and cyber enabled fraud – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

Though uncommon, incidents of electoral fraud in the UK undermine wider public confidence in the electoral process and trust in the outcome of elections. Fraudulent electoral registration may also be linked to other types of financial or benefit fraud.

Electoral Registration Officers (EROs) and Returning Officers (ROs) are uniquely placed to identify incidents and patterns of activity that might indicate electoral fraud. In line with Electoral Commission guidance they should ensure mechanisms are in place to assess the risks and monitor indicators of possible electoral fraud.

It is essential that local authorities work in partnership with the police on any issues around registration and the planning for elections and share information relevant to identifying and preventing electoral fraud.

The ERO/RO should be in touch with the relevant police force's Single Point of Contact (SPOC) for electoral matters and agree the division of responsibilities and the approach for the ERO/RO to refer allegations of electoral fraud to the police where appropriate.

The police are responsible for investigating allegations of electoral fraud and should keep the ERO/RO informed of the progress of cases.

The Electoral Commission has identified 17 local authority areas in the UK which have a higher risk of allegations of electoral fraud, where it recommended a sustained approach to tackle the risks. It is essential that the EROs and ROs for those areas maintain their focus on electoral fraud prevention.

The Government is completing the roll-out of individual electoral registration across Great Britain, which will help reduce the scope for fraud.

The individual nature of the new registration system, in combination with increased assurance of the identity of applicants, means that the register now has greater value as a tool for local authorities and the police to aid in the prevention and detection of crime, including other forms of fraud.

Powers

In *Fighting Fraud Locally 2011*, local authorities reported that they did not have sufficient powers to tackle non benefit fraud and cited examples of this across their counter fraud activities. In the area of social housing fraud, the Department for Communities and Local Government dedicated resource to improving this situation and, in October 2013, The Prevention of Social Housing Fraud Act was introduced which enabled local authorities to acquire information by using new powers.

However, local authorities are still reporting that they do not have sufficient powers to tackle non benefit fraud. For example, local authorities reported having difficulty obtaining evidence from suppliers in procurement fraud investigations.

Further action is required to ensure that local authorities are able to deal with fraud effectively in all areas of their business.

Good Practice Case study – Manchester City Council

Manchester was awarded DCLG tenancy fraud funding to work in partnership with Registered Social Landlords in the area including:

- Review their tenancy fraud processes and procedures
- Produce a tenancy fraud publicity toolkit containing template leaflets and posters
- Develop capacity through delivery of training packages to enable partners to: identify tenancy fraud; gather evidence in compliance with CPIA 1996;
- Provide PACE awareness training enabling social housing staff to work alongside the council counter fraud specialists.

Kate Sullivan, Tenancy Enforcement and Support Manager at Adactus Housing said:

“The Fraud Investigations team has assisted Adactus with complex investigations and has worked with us to create the environment of a true partnership. The investigations they have carried out have been in cases where, prior to the project, we had drawn a blank and had been unable to gather meaningful evidence to proceed with a case.

The team has welcomed an Adactus member of staff to shadow its officers, which has been a valuable learning opportunity for my team member and given an understanding on both sides of the constraints both teams face.”

Barriers to Information Sharing

In *Fighting Fraud Locally 2011*, local authorities expressed frustration that they had difficulty obtaining information from government agencies and departments as well as from internal colleagues. They also provided examples of instances where they were not permitted to share data, even to tackle fraud.

A number of local authorities that subsequently set up hubs to collaborate and share information in line with recommendations in *Fighting Fraud Locally 2011* experienced difficulties over exchanging data and, even where they did not have difficulty,

processes were lengthy. Without exception, at every workshop during research, this issue was raised; across different types of fraud and across different agencies.

Incentives

During the development of Fighting Fraud Locally 2011, DCLG took on board issues raised about housing tenancy fraud and an incentive fund was created. Two tranches of funding were made available in 2009 and 2011 and the last tranche in 2015. This funding has enabled local authorities to set up bespoke counter fraud teams and to undertake data matching and other innovative measures.

Local authorities report that once this stream of funding expires, however, they will not be able to sustain activity in this area. The reason for this is that stopping a housing tenancy fraud rarely provides a cashable saving (tenants sub-letting their property are almost always very good rent payers) and it is difficult to identify sufficient financial benefit to support the business case to undertake counter fraud activity.

In December 2014, DCLG made available a one-off Counter Fraud Fund of £16m to support local authorities in tackling fraud in the period during which the SFIS is due to be implemented.

This fund received bids totalling around £36m, which included innovative ideas and proposed joint working across local authorities, central government and with private sector providers.

Many of the outcomes of this work will be seen during the period of this strategy. The interest and appetite for this initiative on the part of local authorities has not only resulted in many good proposals and mechanisms being put forward, but signals their strong commitment and goodwill to continue to tackle fraud.

Local authorities are still reporting that, apart from these one-off funds, it remains difficult to access funding to tackle fraud. The business case is often not clear cut, which makes it difficult for local authorities to fund initiatives on an invest-to-save basis, and in some instances the business case is frustrated by existing local government funding mechanisms.

“

Councils need central government to set in place the right legal and financial frameworks so that they can tackle fraud and corruption effectively. This strategy offers the opportunity for central government to work with councils in protecting the public purse by providing appropriate powers, removing barriers to information sharing across government, and by providing the right financial incentives for councils to tackle fraud and removing disincentives. Councils should not be expected to fight fraud with one hand tied behind their back.”

Ian O'Donnell

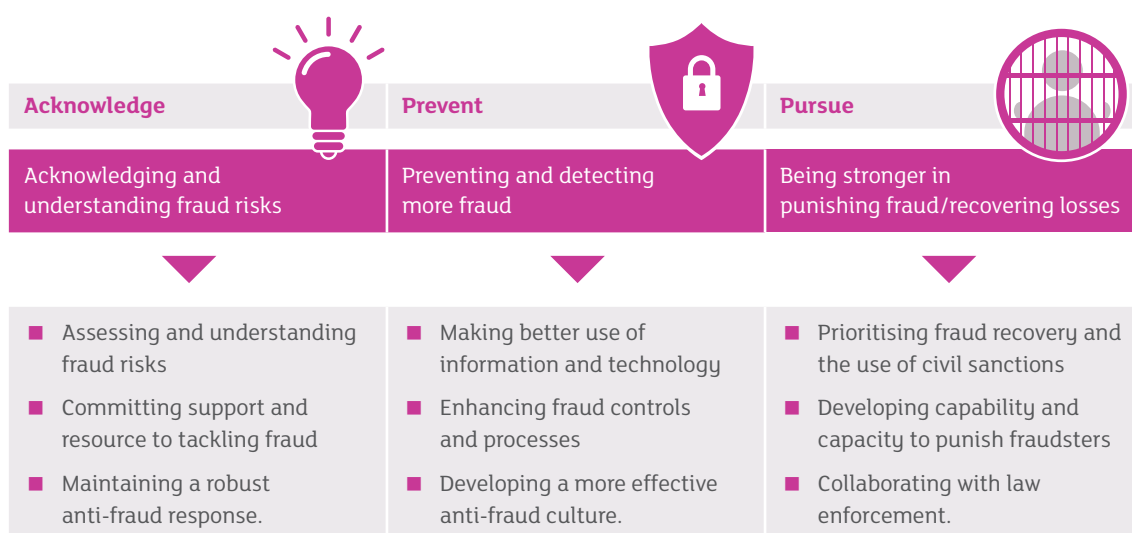
Executive Director of Corporate Resources,
London Borough of Ealing



Section 2: The Strategic Response

The principles of the strategic response to fighting fraud in local authorities remain unchanged from Fighting Fraud Locally 2011. These are set out in the first section below.

The Principles - Acknowledge, Prevent and Pursue



Fighting Fraud Locally official NFA Board Slides

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government.

Fighting Fraud and Corruption Locally recognises these challenges and the need for a cost effective way to reduce fraud. This strategy calls for a greater emphasis on prevention and the recovery of stolen money and highlights the need to create new arrangements to ensure that local authorities retain a resilient response to fraud based on the sharing of services and specialist resources.

Strong leadership will be required in order to achieve this, with greater use of technology and a stronger emphasis on collaboration. The starting point of the strategic response is to acknowledge the threat of fraud and the opportunities for protecting the public purse that exist. This acknowledgement must start at the top and lead to action.

While this document outlines the main areas of fraud risk across local government, each authority's risk profile will be different.

This strategy recommends that the starting point for each local authority is to perform its own risk assessment and fraud resilience check.

The second element of the strategy focuses on prevention. With investigative and police resources facing budget pressures, a counter fraud and anti-corruption strategy can no longer depend on enforcement activity.

Prevention is often the most efficient way to make savings and so what is called for is a radical realignment of counter fraud resources with greater investment in techniques, technology and approaches that will prevent fraud and corruption.

Stopping fraud and corruption from happening in the first place must be our aim. However, those who keep on trying may still succeed. A robust enforcement response is therefore needed to pursue fraudsters and deter others.

Fraud is an acquisitive crime and the best way to deter offenders is to ensure that they are caught and do not profit from their illegal acts.

This strategy argues for a fundamental shift in culture to emphasise civil recovery and the more rigorous pursuit of losses.

Turning Strategy into Action

The Themes – Six Cs

The Companion to this strategy document sets out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective.

Local authorities should consider their performance against each of the six themes that emerged from the research conducted.

These are:

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business
- **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk
- **Competence** – having the right skills and standards
- **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes
- **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

The Companion contains a section on each of these, with information on good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

Fraud knows no boundaries – London Borough of Lewisham

A former housing officer who fraudulently hijacked the tenancy of a dead Lewisham tenant was ordered by the court to pay £74,000 after Lewisham Council was granted a compensation order. At an earlier court hearing, the housing officer had received a 21-month prison sentence while her husband had received a 12-month suspended prison sentence and was ordered to conduct 100 hours of unpaid community work.

Following the death of the original tenant in 2005, the tenancy officer had manipulated the council's records to take control of the property in Catford which she then sublet at a profit. The fraud was uncovered in 2009 after Lewisham Homes, the council's arm's length management organisation (ALMO) conducted a visit to the property as part of a tenancy-checking verification program and found that the original tenant was no longer resident.

Further checks by the council's fraud team revealed that a different person from the tenant was listed as liable for Council Tax at the property.

The housing officer and her husband had also provided false information to secure a tenancy in another borough fraudulently, which they also sublet to another tenant for a higher rent.

It is estimated that the actions of the rogue housing officer resulted in a combined loss of approximately £150,000 to the public purse.

Areas of Focus

There are seven areas where a shift in activity will result in long term, sustainable improvement:

1. Leadership

Showing leadership: elected members, chief executives, finance directors and all those charged with governance should demonstrate explicit commitment to fighting fraud and corruption, and provide the necessary leadership.

Counter fraud practitioners cannot operate effectively unless those at the top in local authorities champion counter fraud and corruption work and visibly promote the message that fraud and corruption will not be tolerated.

Culture: those at the top in local authorities should maintain a robust counter fraud and corruption culture with clear values and standards. Culture fundamentally affects all elements of counter fraud and corruption activity: prevention, detection, deterrence, investigation, sanctions and redress.

A key element is having sound whistle-blowing arrangements; communicating how to report fraud and corruption and creating an environment in which reports can be made without the fear of recrimination.

Collaboration and co-ordination: those at the top in local authorities should actively seek to co-ordinate their efforts in the fight against fraud and corruption. Local authorities should seek to break down barriers to collaboration and sharing with other local authorities, central government and other organisations.

Communication: having a robust communication policy, actively publicising initiatives and celebrating successes is integral to having an effective counter fraud culture as a visible demonstration of commitment and values.

2. Assessing and understanding the scope of fraud and corruption risks

Assessing risks: In order to continue to function effectively in a changing landscape post SFIS implementation, and to take account of the recommendations in the UK Anti-Corruption Plan, local authorities will need to make an assessment of their risks.

This will require an honest appraisal of risks and the resources required to tackle them and whether that can be done locally, with the support of the national agencies, or with neighbouring authorities.

Measuring potential and actual losses: local authorities should measure potential and actual losses on a regular basis in order to understand the scope of the challenge, assess the response required, and measure performance.

The impact of crime is not only financial: losses suffered from fraud can have a direct, adverse impact on those people who are in most need of support, and in some cases the reputational damage caused to a local authority can be serious and lasting.

Horizon scanning: in the fast-changing local authority landscape, local authorities should scan the horizon constantly for emerging risks. The Companion to this document details new and changing fraud areas that local authorities reported in the research for this strategy.

However, it is important that local authorities approach this task individually, as some risks are particular to individual local authorities (e.g. districts and counties face different risks), and some fraud risks differ geographically.

3. Making the business case

Investing in counter fraud activity: local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses. Local authorities do not, as a rule explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems.

However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

Fighting fraud and corruption is not only a financial issue: fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they are achieving wider benefits for the community.

Preventing losses: local authorities should set in place controls that will prevent fraudsters from accessing services and employment. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents, and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users – e.g. if someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds, and in any case they may not have the training or qualifications to perform the job to the required standard.

Recovering financial losses: prompt and efficient recovery of losses is an essential component in the fight against fraud and corruption. In some cases local authorities can make use of their own income collection systems to recover losses – e.g. council tax, business rates, and housing benefits. In others, local authorities will need to make use of civil and criminal courts.

The Proceeds of Crime Act 2002 remains a powerful tool for local authorities; however, local authorities should strike the right balance, making the business case for prosecutions but not setting unachievable financial targets. Local authorities should continue to work with the courts to improve the speed of processing and develop case law supporting the successful application of recovery powers.

4. Using resources more effectively

Using the right resources: local authorities should make use of the right number of properly skilled counter fraud and corruption staff, adopt best practice standards, make use of tools and technology, and generate economies of scale through collaboration.

In a changing environment where resources are

limited, where fraud types are constantly changing and where staff may be moving roles, it will be vital to ensure that these resources are kept up to date and that the response remains proportional to the threat.

Professional competence: post SFIS, it will be ever more important to have a common set of standards for those working in counter fraud and for them to have proper training and an understanding of the whole picture within counter fraud.

Fighting Fraud Locally 2011 recommended professionally accredited training. A vital element of any effective counter fraud strategy is the ability of the organisation to call upon competent, professionally accredited counter fraud specialists trained to the highest possible professional standards to investigate suspected fraud.

Local authorities need to be confident that evidence has been lawfully obtained and professionally presented, regardless of whether the anticipated outcome of an investigation is a disciplinary hearing, civil action or criminal proceedings.

5. Collaborating to improve

Sharing resources: in the context of budget reductions and post SFIS many local authorities are faced with reduced counter fraud and corruption resources. Sharing resources and information can help mitigate the risks by ensuring that the response remains proportional and is properly skilled and equipped.

Working together: fraudsters do not respect boundaries of any type – they attack neighbouring local authorities, other agencies and commit other frauds. By working across boundaries local authorities will be better placed to detect the range of fraudulent activity carried out by individuals and gangs.

Local authorities already work with other agencies; the creation of multiple intelligence, data and investigative hubs opens up further opportunities to link up with other local counter fraud agencies – e.g. NHS Local Counter Fraud Specialists.

There are often links between frauds against local authorities and benefit frauds, immigration offences and shadow economy tax evasion, and there are already many examples of good practice and joint working where local authorities work in collaboration

with local police, HMRC, DWP or other agencies. Some local authorities even have police officers seconded and physically located in the authority, while others have access to officers from other enforcement agencies, for example UK Visas and Immigration or Immigration Enforcement and as a result, are more able to detect and investigate fraud.

Local authorities should collaborate with law enforcement partners to understand and mitigate the risks of organised and serious frauds, raise awareness of the tactics used by organised criminals and where possible share fraud data to help prevent future frauds. And where possible share fraud data to help prevent future frauds. Where police investigative support into fraud is required, the fraud must be recorded with Action Fraud.

6. Using technology to tackle fraud

Birmingham City Council Case Study – The value of data

Birmingham City Council makes extensive use of its data warehouse to identify fraud through data matching and data mining. By expanding the data warehouse to hold not only the Council's data, but that of neighbouring authorities and partner organisations, the Council has greatly enhanced its data analysis capability. The facility has now been embedded into frontline housing services to enable users to validate information provided on application forms at the point of receipt.

This provides greater assurance that housing tenancies are being awarded only to those in genuine need and that homes are only sold to those who are genuinely entitled to buy them. Furthermore, it has helped to identify former tenancy arrears of tenants who have been re-housed elsewhere, thereby helping in the collection of those debts.

Data sharing: for many years local authorities have funded and participated in the National Fraud Initiative (NFI); a periodic data matching exercise that identifies potential fraud cases for local authorities to investigate. Local authorities are now pursuing further opportunities to use their data to prevent and detect fraud, taking advantage of

changes in technology and in the appetite of other organisations to collaborate.

These include advanced data analytics, the availability of third party data, and channel shift within local authorities towards online customer contact. Data hubs offer a huge opportunity to work with and inform the wider counter fraud landscape, feeding into the work of the NCA and the Home Office and connecting into the wider architecture of other hubs.

Prevention: local authorities are using new technology to prevent fraud. The availability of relevant data when an application is made for local authority services can prevent fraudsters from obtaining access. Identity can be verified quickly and efficiently.

Technology is being used to check the validity of official documents, such as passports, with the originating government department, and is also being used to generate intelligence alerts, warning local authorities of fraud risks so that a proportional response can be set in place. Local authorities should continue to invest in technology that assists in preventing fraud and corruption.

Sharing good practice: local authorities should make use of good practice to achieve the best results. Within this strategy are examples of a number of local authorities that have begun to do this. The Companion to this strategy contains a checklist for local authorities, a detailed description of fraud types, and examples of good practice with information on where to find more.

As part of Fighting Fraud Locally 2011, the National Fraud Authority undertook research on good practice, legislation and procedure and produced a number of guides. The original research showed the need for a one stop shop for local authorities for good practice, and the guides, which cover recovery, case building and risks, were placed in the CIPFA Good Practice Bank. A number of local authorities have used these documents and they should now be updated where necessary and publicised anew.

The evidence collected for this new strategy shows that the one stop approach has worked and should be continued. A one stop shop for the whole of the public sector is now provided through the CIPFA Counter Fraud Centre website, where the Fighting Fraud and Corruption Locally page can

be accessed free of charge. The London Counter Fraud Partnership has existed since 1998. It is a partnership of all the enforcement agencies involved in tackling fraud in London including local authorities, NHS, Housing Associations and the Metropolitan Police.

This partnership has produced numerous pieces of good practice and fraud prevention documents which are available free within the CIPFA Counter Fraud Centre website. The Metropolitan Police runs a webpage that covers trends in fraud including mandate and vishing/phishing scams and measures to prevent fraud including advice and where to get support. A number of other organisations also offer good practice information which can be accessed by local authorities.

Case Study – Dudley Metropolitan Borough Council Code of Practice

Dudley MBC has Codes of Conduct for employees and members which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing their Suppliers' Code of Practice they aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices. Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in the Code of Practice. All active suppliers have received an email announcing the launch of the Code and showing where the Code is available on the council website. The Code includes useful contacts if people want to report problems to the council and reinforces the availability of a Fraud Hotline operated by Audit Services. Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the Code.

Dudley MBC's leaflet Beating Fraud is Everyone's Business, which sets out guidelines for employees, managers and members, is available on the CIPFA website.

7. Tackling Corruption

The UK Anti-Corruption Plan requires a response from local authorities. Areas in the plan that local authorities should pay attention to are:

- Working more closely with the NCA and other law enforcement agencies
- Instituting a public awareness campaign
- Putting in place confidential reporting arrangements for whistleblowers and responding effectively to reports of corruption
- Preparing corruption risk assessments across all areas of business
- Procurement and the European Public Procurement Directives in respect of the exclusion of suppliers.

Areas in the plan that are specific to local authorities are:

- The CIPFA Counter Fraud Centre, which will promote measures and provide tools and services to the public sector in this area. The CIPFA Counter Fraud Centre is offering e-learning on anti-corruption and whistle-blowing and health checks on anti-corruption measures
- Funding which has been made available by DCLG to support local authorities' efforts to tackle fraud
- The Transparency Code
- Working more closely with the Home Office in respect of local partnerships and the way in which these interact
- The research, development and publication of Fighting Fraud and Corruption Locally.

Section 3: Delivery Plan

Recommendations

General recommendations

1. A working group from local authorities should examine and devise a standard and common methodology for measuring fraud and corruption within local authorities. Once it has been agreed, local authorities should use the standard and common measure of estimated levels of fraud and corruption.

2. A working group from local authorities should be established to look at the area of powers, incentives and information barriers to:

- Examine areas where barriers exist
- Gather evidence
- Look at achieving quick wins
- Place examples of good practice in the Fighting Fraud and Corruption Locally Good Practice Bank.

3. A working group from local authorities should be established to look at the area of fraud and corruption enablers with a view to preventing more fraud and corruption.

4. There should be an annual report for Fighting Fraud and Corruption Locally which will provide more detail of progress and developments in areas like procurement.

5. DCLG should work with local authorities and the CIPFA Counter Fraud Centre (which host Fighting Fraud and Corruption Locally) to acknowledge good practice and should share useful case studies to ensure that there is an appreciation by central government of achievements at local level.

6. DCLG should give consideration to the provision of future incentives to help local authorities to tackle housing fraud.

7. In relation to procurement fraud, a working group should be established, including subject matter experts and relevant interested parties as well as local authority counter fraud staff, to:

- Investigate and collate good practice in this area and place this in the Fighting Fraud and Corruption Locally Good Practice Bank

- Create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority: highlighting low, medium and high potential risks, to inform risk awareness training for the future. This should include grant fraud where it crosses over.
- Support the implementation of the UK Anti-Corruption Plan by including corruption in procurement in the procurement fraud map
- Work with the London Counter Fraud Partnership to tailor the guidance they have created to the specific needs of local authorities
- Include in the Powers and Penalties Guide a list of powers and potential sanctions relevant to procurement fraud
- Work with the local authorities that are running pilots in order to learn lessons and communicate them to others
- Explore the possibility of cartels and mechanisms to detect them.

Recommendations for local authorities

8. There should be a structured programme on fraud and corruption awareness for elected members and senior managers.

9. Local authorities should undertake up-to-date fraud and corruption awareness programmes and use the free resources developed by local authorities that are available in the Fighting Fraud and Corruption Locally Good Practice Bank.

10. Local authorities should collaborate where it is appropriate to do so and should place examples of useful outcomes in the Fighting Fraud and Corruption Locally Good Practice Bank and use this as a conduit to exchange information with each other.

11. Local authorities should profile their fraud and corruption risks using the section on risks from the Fighting Fraud and Corruption Locally Companion document as a starting point.

12. Local authorities should ensure that they have the right resources in place by having made an assessment of the risks on fraud and corruption which should be reported to the Audit Committee or similar.

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- 13.** Senior officers within local authorities should ensure that officers working in the counter fraud team should be provided with appropriate accredited training.
- 14.** Senior officers within local authorities should ensure that officers who work in areas where they might encounter fraud and corruption have appropriate training.
- 15.** Local authorities should continue to work together on counter fraud hubs or, should investigate the benefits of joining hubs, and should share information where possible to help each other increase resilience to fraud and corruption and establish best practice.
- 16.** Local authorities should participate in data technology pilots to improve their efforts to detect and prevent fraud and corruption.
- 17.** Local authorities should publicise and celebrate successes. Press stories should be collated on the Fighting Fraud and Corruption Locally Good Practice Bank and, where possible, publicity should be endorsed and promoted by DCLG.
- 18.** Local authorities should make an assessment using the Fighting Fraud and Corruption Locally Companion Checklist, increasing awareness of the UK's Anti-Corruption Plan, make themselves aware of NCA advice, ensure that staff are trained on anti-bribery and corruption, and report this to their Audit Committee together with actions to meet the criteria set out in the Plan.
- 19.** Local authorities should use the free CIPFA Code of Practice on Managing the Risk of Fraud and Corruption to ensure a common standard.
- 20.** Local authorities should make sure that they have in place robust reporting procedures including whistle-blowing and that these include assessment through the BSI or Public Concern at Work and that staff are trained in this area.
- 21.** Local authorities that do not have their own housing stock should consider working with their housing partners, in return for nomination rights, to prevent and detect social housing fraud.
- 22.** Where appropriate local authorities should consider participating in the Tenancy Fraud Forum.

- 23.** Local authorities should work with partners on relevant procurement projects and pilots and disseminate information as appropriate.
- 24.** Local authorities should look at insider fraud and consider using the Internal Fraud Database at CIFAS following the London Borough of Ealing pilot.
- 25.** Local authorities should horizon scan and explore new areas, e.g. cyber and identity issues and explore new methods to detect fraud, e.g. behavioural insights.
- 26.** Local authorities should use the Fighting Fraud and Corruption Locally Companion Checklist to ensure that they have the right counter fraud and anti-corruption measures in place and should report the results of this to their Audit Committee and the External Auditor.

Framework for Delivery

To support the delivery of this strategy appropriate governance arrangements should be set in place to oversee the implementation of recommendations and the maintenance of the Fighting Fraud and Corruption Locally resources for local authorities.

A board will be established to ensure activity takes place and to provide senior stakeholder support.

The day to day management and hosting of the Fighting Fraud and Corruption Locally web page, survey, and secretariat sits with the CIPFA Counter Fraud Centre and is provided on a pro bono basis. This arrangement is working effectively.

Deliverables

The FFCL Board will need to ensure that progress in implementing the recommendations in this strategy is monitored and that an annual report is provided and published setting out what has been achieved and what remains to be done, so that local authorities and other stakeholders have clear visibility of how the strategy has improved outcomes.

Thank you

The Fighting Fraud and Corruption Locally Board is:

- Ian O'Donnell (Chair) – London Borough of Ealing
- Bevis Ingram – LGA
- Andrew Hyatt – Royal Borough of Kensington and Chelsea
- Simon Lane – Former London Borough of Brent
- Mike Clarkson – Mazars
- John Baker – Moore Stephens
- Rachael Tiffen – CIPFA Counter Fraud Centre
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG

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- Bevis Ingram – Senior Adviser, Finance, LGA
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG
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Fighting Fraud & Corruption

LOCALLY



The Companion

2016 - 2019

Supported by:



**CIPFA COUNTER
FRAUD CENTRE**

Contents

Tackling the Main Fraud Risks

– good practice	03	– The Audit Commission	13
– Social Housing fraud	04	– The National Crime Agency	14
– The Tenancy Fraud Forum	05	– The CIPFA Counter Fraud Centre	14
– Council Tax fraud	06	– The National Anti-Fraud Network	14
– National non domestic rates	06	– Single Fraud Investigation Service	15
– Procurement fraud	07	– Proceeds of crime and recovery	15
– Blue Badge fraud	07	– The Police response to fraud	16
– Schools	08	Overarching Themes	17
– Fraud Assessment Checklist for Schools	08	– Culture	17
– Internal Fraud	08	– Collaboration	18
– Personal budgets	10	– Capacity	19
– No recourse to public funds	12	– Capability	19
– Identity assurance	12	– Competence	19
– Other risk areas	12	– Communicate	20
The Changing Landscape	13	Further reading	22
– The Context	13	The FFCL Checklist	23
– The National Fraud Authority	13	Glossary of Acronyms	25
		Thank you	26

This document is intended to be a companion to the Fighting Fraud and Corruption Locally Strategy 2016-2019.

It is aimed at those in local authorities who undertake work in the counter fraud area. It contains information on the research for the FFCL Strategy on main risks and the counter fraud landscape. A number of themes emerged in the research and those have been outlined in this document.

The FFCL Companion contains good practice and a checklist for local authorities to use as part of making sure they have the right processes and resources in place.

The FFCL board encourages local authority practitioners to use this checklist.

Tackling the main fraud risks – good practice

Many local authorities are already saving money by tackling fraud; looking beyond benefit fraud to tackle other issues such as housing tenancy and council tax fraud. There are many examples of good practice and innovative pilots in local authorities which, if adopted more widely, would lead to immediate savings.

A summary of the key fraud risks faced by local authorities, and some examples of good practice in tackling these types of fraud, are outlined in this section. These are based on the research carried out for this document.

By collaborating effectively, local authorities can make use of existing powers and tackle fraud across geographical boundaries.

The following excellent case study demonstrates the benefits of collaboration, and that fraud does not respect either physical boundaries or boundaries in relation to fraud types, and also shows effective use of The Proceeds of Crime Act (POCA).

“

As a chief executive, I believe in the importance of understanding and acknowledging fraud risks at the top of the organisation. As such, I regularly review the risks in my council to ensure that there is a transparent and tangible commitment from the top.

Prevention and deterrence of fraud is as important as investigation and prosecution. But fighting fraud requires more than the adoption of good practice. It requires our knowledge, expertise and determination to tackle this serious problem.

I would therefore encourage all chief executives to prioritise pro-active counter fraud measures across all services.”

Rob Leak

Chief Executive, Enfield

Fraud knows no boundaries – London Borough of Lewisham

A former housing officer who fraudulently hijacked the tenancy of a dead Lewisham tenant was ordered by the court to pay £74,000 after Lewisham Council was granted a compensation order.

At an earlier court hearing, the housing officer had received a 21-month prison sentence while her husband had received a 12-month suspended prison sentence and was ordered to conduct 100 hours of unpaid community work.

Following the death of the original tenant in 2005, the tenancy officer had manipulated the council's records to take control of the property in Catford which she then sublet at a profit.

The fraud was uncovered in 2009 after Lewisham Homes, the council's arm's length management organisation (ALMO) conducted a visit to the property as part of a tenancy-checking verification program and found that the original tenant was no longer resident.

Further checks by the council's fraud team revealed that a different person from the tenant was listed as liable for council tax at the property.

The housing officer and her husband had also provided false information to secure a tenancy in another borough fraudulently, which they also sublet to another tenant for a higher rent

It is estimated that the actions of the rogue housing officer resulted in a combined loss of approximately £150,000 to the public purse.

Social Housing fraud

Social housing fraud is wide-ranging but includes fraudulent applications for housing or successions of tenancy, subletting of the property, and fraudulent applications under the right to buy/acquire.

There has been an increased focus on social housing fraud in recent years but local authorities should ensure that they continue to tackle this area effectively. Local authorities that do not have their own housing stock should work with their housing partners, in return for nomination rights, to prevent and detect social housing fraud.

This will ensure that more properties for families in genuine need are made available. Good housing provision has been found to have a positive impact on education, health and the social care needs of a community, so the wider potential benefits to hard-working families are important.

The Department for Communities and Local Government (DCLG) made some funding available to assist local authorities in tackling housing fraud, but this funding stream finished in March 2015. Consideration should be given to the provision of future incentives because building the business case to tackle housing fraud is not straightforward.

Thorough checks on applications for housing, successions and mutual exchanges must be undertaken. These stages provide key opportunities to ensure that those not entitled to social housing are prevented from accessing this valuable resource.

The Local Government Association (LGA) offered local authorities the opportunity to bid for funding to undertake work on housing tenancy fraud. Three bids were successful and received £27,500 each. The results from the pilots were encouraging:

The total value of the properties recovered through the pilot is £1.62 million. This is comprised of 7 properties recovered from Huntingdonshire, 14 from Three Rivers and 69 from Gloucestershire with each property recovered being assumed to save £18k. For each of the pilots there were additional savings in housing benefit.

Activities undertaken included fraud awareness campaigns on buses, amnesties, and training.

There are often links between social housing fraud and other types of fraud. Every fraudster needs a home or at least an address to operate from. Benefit fraud is commonly linked with tenancy fraud, so local authorities and SFIS must share data on suspect cases and any investigations under way.

Applications for other services within the local authority, such as school admissions can often reveal a tenancy that has been sublet. Effective data sharing networks both within and between authorities can facilitate the detection of such cases.

Local authorities should also ensure that they are making best use of recent legislation. The Prevention of Social Housing Fraud Act 2013 (PoSHFA) has created two new criminal offences. First, where the tenant sublets or parts with possession of a property or ceases to occupy it knowing that it is a breach of tenancy, a £5,000 fine can be imposed.

The second offence is where the tenant dishonestly, in breach of tenancy, sublets without consent and ceases to occupy it as his/her only or principal home. This offence is punishable by a two-year jail sentence and/or a fine of up to £50,000.

The Act also contains provisions that enable a court to make “unlawful profit orders” that require the tenant to pay back any profits from the unauthorised sub-letting (regardless of whether or not the landlord has incurred a loss).

Furthermore, regulations have been made that give local authorities the power to compel certain listed organisations such as banks, building societies and utility companies to provide them with data that is relevant to a social housing fraud investigation. The National Anti-Fraud Network provides a PoSHFA enquiry service which local authorities should consider using to facilitate these enquiries.

Case Study Manchester City Council

Manchester was awarded DCLG tenancy fraud funding to work in partnership with Registered Social Landlords in the area including:

- Review tenancy fraud processes and procedures
- Produce a tenancy fraud publicity toolkit containing template leaflets and posters
- Developing capacity through delivery of training packages to enable partners to identify tenancy fraud; gather evidence in compliance with CPIA 1996; providing PACE awareness training enabling social housing staff, to work along side the council counter fraud specialists.

When asked about the joint working with Manchester City Council, Kate Sullivan Tenancy Enforcement and Support Manager at Adactus Housing recently said: “The Fraud Investigations team has assisted Adactus with complex investigations and has worked with us to create the environment of a true partnership.

The investigations they have carried out have been in cases where, prior to the project, we had drawn a blank and had been unable to gather meaningful evidence to proceed with a case. The team has welcomed an Adactus member of staff to shadow it’s officers, which has been a valuable learning opportunity for my team member and given an understanding on both sides of the constraints both teams face.”

Where financial investigators are available, their use on social housing fraud cases should be encouraged to maximise the recovery of the proceeds of the crime.

There has recently been an increase in cases of detected Right to Buy Fraud. Protecting the Public Purse reported that the number of cases had increased nearly five-fold between 2009/10 and 2013/14. Rigorous checks should be made to ensure that only genuine applications for the right to buy/acquire are processed. Not only is this type of fraud financially attractive, with potential discounts of up to £102,700, but if undetected it permanently deprives that local authority or registered social landlord of that property for future use.

Birmingham City Council Case Study – Right to Buy Fraud

Birmingham City Council successfully prosecuted a woman who fraudulently claimed a 70 per cent right to buy discount to buy her council house, while living in a second home that she had owned for over 10 years.

The tenant, who had rented the council property for 34 years, was actually living at another home she had bought, and was renting out the council house.

The fraud came to light after the woman paid cash for her council property. Checks by the counter fraud team found that she was on the electoral roll and in receipt of benefits at a different address, from where she had also claimed a council tax single person discount. She had failed to declare her ownership of the second property when she completed her Right to Buy application.

She pleaded guilty at court and received a 10 week custodial sentence suspended for 18 months, together with an 18 month supervision order. The court ruled that the whole value of the property, and not just the discount, had been defrauded. An application has been made by the council under POCA to recover the loss.

The Tenancy Fraud Forum

The Tenancy Fraud Forum (TFF) is a not for profit, free organisation aimed at those who wish to combat tenancy fraud in the social housing sector. Its objective is to engage all social landlords (local authorities and housing associations, for example) to work together collaboratively to detect and combat tenancy fraud.

TFF was launched at DCLG in April 2012 and was supported by The Right Hon Grant Shapps MP. The Forum has now expanded to include several regional groups that meet on a regular basis to discuss matters such as data sharing, joint working, dissemination of good practice and advice on how to identify and tackle tenancy fraud.

Their inaugural conference was held in November 2014 and was attended by 148 delegates.

The free regional and London meetings are also attended by guest speakers who present on such topics as unlawful profits, investigation techniques and how to draft notices for subletting.

The Executive Committee of TFF comprises social landlords as well as the Chartered Institute of Housing.

Council Tax fraud

In April 2013 local authorities introduced their own council tax support schemes after the national scheme was abolished. The new localised schemes provide those on low incomes with a discount on their council tax.

Local authorities need to be mindful when transferring staff to SFIS that they remain appropriately resourced to tackle council tax support fraud. As with the old national scheme, the number of residents claiming council tax support is likely to remain similar, therefore the risks of fraud stay within localised schemes.

It is therefore important that local authorities continue to do as much as possible to reduce the risk of fraudulent discounts and exemptions being claimed.

Local authorities have done significant work to combat single person discount fraud. Housing investigation teams are now working with council tax teams when recovering sublet properties as teams are finding that some properties have been sublet to more than one person while a single person discount was still in place.



Royal Kensington and Chelsea – Techniques to make savings

The use of external companies to data match single discount claims against credit reference data has become an annual exercise for some authorities. Over the last three years, the Royal Borough of Kensington and Chelsea has engaged the services of Datatank to review its council tax claims and has saved £376,000 in the first year and £250,000 in following two years.

The council, for a minimal cost of £3,000, sent mailshots to known single person discount applicants giving them the opportunity to disclose their circumstances voluntarily. This enabled them to re-bill those applicants who responded enabling the local authority to recoup £65,000.

Local authorities need to be mindful of the issues of using data sources to detect and prevent council tax fraud as data matching may also uncover those who are avoiding liabilities.

Incorrect student discount applications made by those in further education continue to incur lost income for local authorities. Both investigation teams and council tax teams should consider taking preventative measures to reduce incorrect applications such as sending mail shots to existing applicants advising them to disclose their status voluntarily.

Local authorities could potentially reduce incorrect student discount claims and should ensure that systems are appropriate to record the details of what is required to validate genuine need.

National Non Domestic Rates (NNDR)

National Non Domestic Rates are also known as business rates. Counter fraud activity in this area has been limited in the past.

However, there is now an incentive to tackle business rates fraud and evasion.

Areas of risk for fraud and evasion are:

- Small business rates exemptions
- Charitable exemptions
- Discounted properties
- Empty properties
- Illegal billboards
- Extensions to properties
- Unoccupied relief.
- Unlisted business premises

Some of these may be linked to other types of irregular activity such as phoenixing or company fraud. Local authorities should make use of Trading Standards and Planning teams, and employ a financial investigator to recover assets where enforcement notices are breached and criminal activity can be proved. The financial gain can be classified as criminal gain.

Under the business rates retention arrangements introduced on 1 April 2013, the local authority keeps a proportion of the business rates paid locally. This provides a direct financial incentive to tackle fraud in this area.

There are few examples of local authorities undertaking proactive drives in this area and there are no measurement figures to put this in context other than the size of business rates collection which is £25.7bn before reliefs. In Protecting the Public Purse 2014 only 84 cases were reported with a value of £1.2m.

However, a number of local authorities are undertaking projects as part of the Counter Fraud Fund bids and one Credit Reference Agency is undertaking work to establish a business rates hub. It is hoped that these initiatives will report back in time for the FFCL End of Year Report.

Procurement fraud

In the last Annual Fraud Indicator (AFI) produced by the National Fraud Authority (NFA) in 2013, procurement fraud was estimated at £876m. Although there have been initiatives since then to look further into the nature and scale of procurement fraud in local authorities, to date there are no new figures available to replace those included in the AFI.

The Home Office has recently conducted a project on procurement fraud in local authorities. In partnership with the LGA, CIPFA and the National Crime Agency, it conducted four workshops around the UK.

The aim was to understand more about what form procurement fraud takes in local government, how public procurement processes are being exploited and gather good practice to counter procurement fraud.

Additional research on procurement fraud has been conducted for this Strategy as part of the workshops and surveys conducted by the CIPFA Counter Fraud Centre.

Local authorities reported that procurement can be complex and can also encompass a range of areas spanning the whole period from agreeing a project to contract monitoring, extensions and re-letting. Local authorities also reported that this type of fraud can be difficult both to detect and to investigate. In some cases procurement fraud can be linked to grant fraud or classified as grant fraud.

Procurement processes are vulnerable because there are multiple ways to commit fraud, some of which are price fixing, bid rigging, double invoicing etc. Local authorities are vulnerable to being exploited by organised crime groups.

There is, however, much good practice available, as well as some tools and guidance. The Chartered Institute of Procurement and Supply's specialists offer e-learning in this area. The CIPFA Counter Fraud Centre has its Good Practice Bank but also has wider examples – free awareness PowerPoint presentations and guidance on various aspects of procurement fraud. June 2015 the LGA published a guide for procurement practitioners on managing the risk of procurement fraud.

Blue Badge fraud

Blue Badges are issued to those with disabilities in order that they can park nearer to their destination, often free of charge. The scheme also exempts the vehicle from the London Congestion Charge and some toll schemes including the M6 Toll and the Severn Bridge.

These exemptions and the added convenience make the misuse of Blue Badges attractive to those

seeking to abuse the scheme. The Annual Fraud Indicator 2013 estimated that 20% of Blue Badges were abused at an annual cost to society of £46m.

The value of a Blue Badge was estimated by the Audit Commission as £500 per year but may have a higher value dependent on the level of use. Misuse also deprives the genuinely disabled of convenient parking which prevents them going about their normal business.

The most common Blue Badge frauds are:

- Use of counterfeit/altered badges
- Use when the disabled person is not in the vehicle
- Use of a deceased person's Blue Badge
- Badges issued to institutions being misused by employees.

Misuse is often perpetrated by relatives or friends of the disabled person. In the case of badges issued to institutions, these should only be used when the disabled person is with the vehicle. Unfortunately there have been cases of staff using these when running errands.

Recent legislation (The Disabled Persons' Parking Badges Act 2013) enables enforcement officers to inspect and retain a badge without police presence if they suspect the badge is fake, cancelled or being misused.

Councils should ensure that they use these new powers to ensure that Blue Badges are used only by those with a genuine need.

Schools

During the research, local authorities raised the issue of schools fraud. This continues to be an area of various types of frauds since the publication of FFL 2011. Schools, in common with other organisations, experience all kinds of fraud including, among others, procurement fraud and recruitment or insider fraud.

Given that a poor control environment provides the opportunity for – and may inevitably lead to – fraud, a key issue for schools to consider is the extent of autonomy given by the governing body to the head teacher and other staff involved in financial decisions. The CIPFA Counter Fraud Centre has produced Five Steps to Countering Fraud in Academies.

Fraud Assessment Checklist for Schools

In May 2013, the NFA and Deloitte hosted a one-off workshop attended by an impressive range of local authorities to explore the nature of fraud risks in schools and identify best practice in managing the risks effectively.

The workshop highlighted several areas of financial irregularity and fraud, particularly within the procurement to pay cycle but also extending to recruitment and pay. Building upon the findings of the workshop, Mazars has developed a health check guide for schools containing case studies of detected fraud and a self-assessment School Fraud Risk Health Check which is available free on the CIPFA Counter Fraud Centre website:

Head Teacher in £7,000 Fraud

A head teacher who raided more than £7,000 worth of funds set aside for children at a West Midlands school has been given a 10-month prison sentence suspended for two years.

The Court heard that as part of her role as head teacher, she was allowed to order items on behalf of the school. In a number of transactions, she visited websites to order items and printed off web pages that detailed the cost of what she said she had 'ordered' so she could claim the money back.

However, the prosecutor told the court that the orders never actually processed past the 'proceed to checkout stage' on the websites and that the goods never arrived. In one transaction, the head teacher obtained money from a school fund allocated for activities, presents and Christmas and Easter treats for pupils.

The head teacher must carry out 240 hours unpaid work and repay her remaining debt to the school as well as £1,200 court costs.

Internal Fraud

FFL 2011 acknowledged that any employee might perpetrate fraud against his or her employer, and that the delegation of responsibility to local authority employees brings about its own inherent fraud risks.

The Strategy also identified that two of the strongest defences against employee and internal fraud were: proper and adequate vetting and a strong management-led anti-fraud culture to deter employees from committing fraud in the first place.

It recommended that managers should be made aware of their role in preventing and identifying employee fraud, ensuring clear controls and separation of duties.

More recently the Audit Commission, in its final publication *Protecting the Public Purse 2014*, reported that during 2013/14 local Councils identified nearly 1,500 cases of employee fraud, causing £8.4m in losses. It is therefore clear that while local authorities are working hard to fight employee fraud, the problem has not been eradicated.

More preventative action is needed. Types of employee fraud are wide-ranging and can include misuse of time and resources, fraudulent claims for allowances and expenses, failure to register or declare conflict of interests or the acceptance of gifts and hospitality, as well as the manipulation of finance and payroll systems.

It also includes staff pre-employment fraud, where false information is given in order to gain employment.

Successful high profile prosecutions reported in the media during 2014 included, among others, the following types of fraud perpetrated against local authorities by employees: procurement fraud; diverting council monies to a personal account; accepting bribes; stealing cash; deliberately misallocating social housing to friends and family for personal gain; working elsewhere while claiming to be off sick; false overtime claims; stealing council property and selling it on for personal gain; wrongfully claiming benefit while working.

Internal fraud can be related to conflicts of interest, acceptance of gifts and hospitality and where no revolving door policies exist. There is a need for a good knowledge of anti-bribery and anti-corruption measures and to have the right policies in place in respect of gifts, hospitality. Insider fraud can now be e-enabled and many services and functions are digitalised.

Austerity measures, and the continuing downward pressure on local authority budgets, mean that local authorities have diminishing resources and a reduced internal capacity to investigate fraud and corruption. This makes prevention all the more important.

Case Study – Dudley Metropolitan Borough Council Code of Practice

Dudley MBC has Codes of Conduct for employees and members which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing its Suppliers' Code of Practice Dudley aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices. Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in the Code of Practice.

All active suppliers have received an email announcing the launch of the Code and shown where the Code is available on the council website. The Code includes useful contacts if people want to report problems to the council and reinforces the availability of a fraud hotline operated by Audit Services.

Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the Code.

Dudley MBC's leaflet *Beating Fraud is Everyone's Business*, which sets out guidelines for employees, managers and members, is available on the CIPFA website.

It is widely accepted that fraudsters move from one employer to another. When the previous Strategy was published, there was no system in place for local authorities to share information on those sacked or sanctioned for fraud.

The Strategy recommended that local authorities should strongly consider using the Cifas Internal Fraud Database that shares data on those sacked or sanctioned for fraud, theft, bribery or corruption to help organisations to protect themselves from internal fraudsters. It was noted that this system has the secondary benefit of deterring fraudsters from applying for positions with local authorities in the first place.

Despite that recommendation, as this publication goes to print, the only local authority that so far participates in the Cifas Internal Fraud Database is London Borough of Ealing. While a number of local authorities have written into their anti-fraud, bribery and corruption policies a need for ‘adequate vetting’, in most cases this remains undefined. Without such definition, risks remain and local authorities are encouraged to look at this more carefully.

Immigration checks and Disclosure and Barring Service (DBS – formerly CRB) checks will not be sufficient to identify a candidate who has previously been dismissed or sanctioned for fraud, bribery or corruption and this is a critical omission. More detailed guidance on vetting is provided in *Slipping through the Net: Staff Vetting Guide for Local Authorities* (published in 2012). Research into *The True Cost of Insider Fraud* was undertaken by the Centre for Counter Fraud Studies in 2013. Both are available on the CIPFA and Cifas websites.

FFCL continues to recommend that local authorities should strongly consider using the Cifas Internal Fraud Database, both to protect themselves from employee fraudsters, and to deter such individuals from applying to them. The Database also has the additional advantage that it allows participants to check against the Home Office’s list of ‘disqualified persons’ (individuals who do not have leave to be in the UK).

The CIPFA Counter Fraud Centre is keen to bring local authorities and Cifas together so that the database can become more involved in helping local authorities – through sharing data – prevent infiltration and provide an effective deterrent to internal fraud.

The Centre has also alerts and publications to encourage closer working. The UK Anti-Corruption Plan will also help to bring greater collaboration and consistency in anti-corruption activity across the public and private sectors.

Case Study: Inappropriate Reference

A candidate listed two references on his application, as requested. Both were for short-term temporary posts. The candidate had also held a recent long-term permanent post which he had left due to ‘voluntary resignation’ but had not used this as a reference.

Enquiries with this employer revealed that the candidate had been dismissed from the long-term post for gross misconduct.

Case Study: False Reference

A candidate was forwarded by an agency for a temporary position. When asked, the agency forwarded references.

Checks with former employers revealed that they had not provided the references submitted by the agency. In one case the name of the referee was spelt incorrectly and in all cases the referees had not even been contacted until after the references had been submitted.

A complaint was made to the agency and an internal disciplinary led to the recruitment consultant being dismissed.

Personal budgets

A personal budget is the sum allocated to enable an individual to meet his/her own social care needs. Social care service users receive their personal budgets by way of a direct payment. Abuse of the system can occur as an overstatement of needs through a false declaration, by multiple claims across authorities, from third party abuse – for example, by a delegated budget holder – or posthumously, where the service user has died and payments continue and are collected fraudulently.

Personal budgets remain open to the risk of fraud as the emphasis is to provide support on customer based needs, reliant on trust and self-declaration.

The implications of not having appropriate and proportionate controls in place are still sometimes not fully understood by those tasked with administering personal budgets, assessing the support required and delivering care packages.

Local authorities are responding to funding reductions by adopting a more rigorous and robust approach, to ensure that funds are correctly provided to the right people.

Personal budgets can present several issues if the initial assessment process is not managed correctly and can lead to clients overstating their needs, a lack of supporting medical evidence, vague support plans, incorrect spend on care provision, difficulty in monitoring spend and no escalation process when queries arise over the continuation of payment or incorrect payment of the personal budget.

When fraud or abuse within personal budgets occur, authorities are faced with the dilemma of whether to continue to provide a caring service, or to stop payment and/or to deliver enforcement action. Often, when enforcement is enacted, criminal action is not pursued because personal budget contracts and agreements lack any signed legal declaration as to how the budget should be used or the consequences of not doing so.

In addition, due to inadequate contracts and weak supplier relationship contract management protocols, local authorities can be left powerless and unable to terminate contracts with contracted care homes and carers when fraudulent activity is identified.

Recovery action on incorrectly obtained personal budgets also tends to be limited due to no formal recovery process being in place.

Case Study: Manchester City Council

Manchester City Council is committed to recovering money obtained through financial abuse of personal budgets.

Transferring responsibility for recovery of agreed contribution and overpayments to the dedicated Corporate Recovery team together with the operation of a robust yet sympathetic recovery policy has led to significant recovery of incorrectly used funds.

Authorities are also at risk of indirectly supporting tax avoidance where there are no conditions set around whom a service user can appoint to provide his or her care package or how they should be paid. In addition, authorities may also be putting their clients at risk by inadvertently supporting the provision of carers and support providers who are not registered with the Care Quality Commission, as personal budget users are at liberty to choose whom they engage contractually to provide their care support.

Authorities need to be mindful that further changes to personal budgets – including the introduction of children’s care packages – will present new risks.

As personal budgets are required to be paid into a separate bank account, if the client subsequently transfers the money into another account, the local authority loses any audit trail of how the budget is spent or whether it has been used appropriately.

Clearly, more guidance is needed to assist in mitigating the risk of fraud and abuse in personal budgets and social care payments. Some local authorities are already taking innovative steps to address such risks.

Essex County Council has worked closely with its social work teams and has put the following measures in place:

- A risk assessment process that specifies when to conduct a personal budget financial review
- The introduction of anti-fraud trained social workers to enable them to have a good understanding of personal budgets, implement strong support plans and to report issues
- Improved communication channels between social workers and carers to ensure that care provision matches the care plan and personal budget agreements
- Care plans and personal budget reviews, which are conducted face to face with the client and carers
- Combined joint visits with social workers and review team staff are conducted to review the financial arrangements in place.

Case Study – Manchester City Council

Care packages and other associated welfare related benefits can involve high value payments over the course of a year. A social worker became suspicious that an individual in receipt of support funding had overstated their level of need. A subsequent investigation by counter fraud specialists from the council and DWP identified a number of irregularities resulting in overpayments in excess of £100,000 of public funds. The suspect no longer receives personal budget funding or Disability Living Allowance (DLA) and the case has been referred to the Crown Prosecution Service.

No recourse to public funds

Families that have no recourse to public funds such as social security benefits and social housing may still be able to seek assistance from local authorities while they are in the process of applying to, or appealing, a decision by the Home Office on their application. Section 17 of The Children's Act places a duty on local authorities to assess and provide financial and housing support to children in need. The duty applies to all children whose families are not excluded from support under Schedule 3 of The Nationality, Immigration and Asylum Act. The financial burden of this requirement rests with the local authority.

Social services departments have begun to improve their control frameworks for assessing eligibility. Local authorities have acknowledged this risk and are starting to work together to tackle this problem. Further work needs to be undertaken in this area, including developing robust procedures and more data sharing to ensure resilience and consistency across boroughs.

Case Study – South East London

Five local authorities in South East London, led by the London Borough of Lewisham, have been successful in bidding for DCLG Counter Fraud Fund monies to finalise and implement new assessment processes which will embed robust counter fraud controls in front line decision-making. The funding will also support the development of a dedicated case management system with built-in fraud controls and data sharing functions.

Identity assurance

As both central government and local government move increasingly towards online delivery of services, the need for secure and robust identity assurance becomes paramount. Budgetary restrictions within local government mean that the drive towards online delivery is accelerating.

With the susceptibility to fraud of online channels, local authorities will need to collaborate not only with each other, but also with central government to ensure that their systems are integrated and as resilient as possible to fraud.

Other risk areas

In this Strategy we have referred to the most common risk areas in detail. We are aware, however, that the risks of fraud and corruption that a local authority is exposed to are many and diverse including;

- Money laundering – exposure to suspect transactions
- Insurance fraud – including slips and trips
- Disabled Facility Grants – adaptations to homes aimed at the disabled
- Concessionary travel schemes – including Freedom Passes
- Areas that have transferred to local authority responsibility e.g. Health
- Commissioning of services – including third sector partnerships
- Local Enterprise Partnerships – voluntary partnerships between local authorities and businesses
- Immigration – including sham marriages
- Cyber and e-enabled fraud.

Local authorities should be alive to the rapidly changing environment of fraud and should continuously horizon scan for new and developing fraud risks.

The Changing Landscape

The Context

The landscape surrounding counter fraud has changed rapidly over the past three years. A number of organisations that were at the forefront of tackling fraud strategically have experienced change. Some have been abolished, and new agencies and organisations have emerged.

This presents both challenges and opportunities. In order to adapt to these changes, and to get the best from them, local authorities will need work together and work collaboratively with the new players in this sphere. More than ever there is a need to keep up to date and become involved in wider initiatives.

Local authorities themselves may well be suffering cuts or adjustments to resources and may also be affected by other changes such as reduced police resources or the effects of cuts in budgets elsewhere. A brief overview of the changing landscape is set out below to show the new context in which local authorities are operating as they strive to ramp up the fight against fraud. To understand the problems it is necessary to understand the landscape.

The National Fraud Authority (NFA)

The NFA (in existence from October 2008 until March 2014) had a number of objectives, namely:

- To protect the public by overseeing the implementation of Fighting Fraud Together – the last national counter fraud strategy. Linked to Fighting Fraud Together was Fighting Fraud Locally: the Local Government Counter Fraud Strategy (FFL2011)
- To lead and co-ordinate the activities arising from the strategy set out in Fighting Fraud Together
- To measure the scale and breakdown of the cost of fraud to the UK by means of the Annual Fraud Indicator
- To deliver the Action Fraud service, the national reporting centre for fraud and internet crime.

The concept of a national fraud strategy arose as a result of an earlier piece of work under the auspices of the NFA entitled A Fresh Approach to Combating Fraud in the Public Sector – a 'Report by the Smarter Government Public Sector Fraud Taskforce'. This report put forward a number of

suggestions in relation to counter fraud activities in local authorities.

As a result, the NFA took forward a piece of work examining the nature of local authority fraud and, following this, in discussion with the Local Government Association, it was decided the first Local Government Fraud Strategy: Fighting Fraud Locally (FFL 2011) should be produced. The NFA was responsible for researching, drafting and hosting FFL 2011 in addition to setting up pilots and monitoring the success of them. The NFA also facilitated relationships between local authorities and other enforcement agencies and the private sector. It integrated FFL 2011 with the wider strategy set out in Fighting Fraud Together.

After the closure of the NFA in March 2014, the management of FFL reverted to local authorities to take forward under the oversight of the FFL Board. The hosting and day to day operations of FFL now sits with the CIPFA Counter Fraud Centre.

The Audit Commission

It was announced during 2010 that, at a future unspecified date, the Audit Commission would be abolished. Subsequently, The Local Audit and Accountability Act 2014 made it possible for the Audit Commission to close, in line with government expectations, on 31 March 2015. The Audit Commission's counter fraud work covered two specific areas, set out below.

The National Fraud Initiative (NFI): This has been running since 1996. It is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes local councils, police authorities, fire and rescue authorities as well as central government departments and a number of private sector bodies.

Since its inception the NFI has helped identify fraud, error and overpayment in England, bringing the UK total since its launch in 1996 to £1.17bn.

Over the last year the NFI portfolio has expanded to offer additional services which help participating organisations to better target both fraud prevention and detection.

For fraud detection the NFI now offers a new flexible matching service that sits alongside the established two yearly national data matching. The NFI flexible matching service allows organisations to match data

to verify existing claimants/tenants/employees as frequently as they need to.

The Audit Commission's Counter Fraud Team:

This has undertaken annual surveys of local authorities, fraud briefings and produced an annual report, Protecting the Public Purse, which set out details of the amount of detected fraud, warned of fraud risks and promoted best practice

Following the closure of the Audit Commission in March 2015, the NFI operations will transfer to the Cabinet Office.

The National Crime Agency (NCA)

Established in October 2013, the NCA has the mandate and powers to bring the full weight of law enforcement to bear in cutting serious and organised crime. This includes tackling fraud and corruption across the UK and beyond. It operates a number of distinct operational commands, with one – the Economic Crime Command (ECC) – having a specific focus on fraud. The ECC's remit includes fraud, intellectual property crime, identity crime and counterfeit currency.

The ECC works by sharing knowledge and intelligence across the counter fraud community and is establishing intelligence hub architecture to support this.

The NCA, and the ECC in particular, is beginning work with local authorities to provide support in terms of organised threats relating to fraud and corruption. Local authorities are keen to work with the NCA to help to improve the UK's resilience to fraud.

The NCA's Economic Crime Command also has a role in anti-bribery and anti-corruption and is the point of contact for serious and organised criminality. Further information is in the anti-corruption section.

The CIPFA Counter Fraud Centre

In July 2014, CIPFA launched its new Counter Fraud Centre for all public services. This provides counter fraud tools, training and other facilities for the public services, including local government. While owned by CIPFA, the Counter Fraud Centre has an external Advisory Board which acts as a sounding board.

This Board reflects the wider senior group of stakeholders including Directors from the ECC, the National Audit Office and local authority Chief Executives.

CIPFA has been responsible for hosting the FFL Good Practice Bank for some years and this has been moved into a dedicated area for local authorities within the Counter Fraud Centre. The Centre is working to support the creation of a professional career ladder for those involved in the counter fraud area, and as such, has created bespoke accredited training towards the Accredited Counter Fraud Specialist qualification which also gives CIPFA Affiliation.

There is also e-learning across fraud areas. The aim is to establish a common standard and support a change in culture for local authorities and links their users to others working within the counter fraud discipline.

CIPFA also offers counter fraud benchmarking and from April 2015 a counter fraud survey called CIPFA Counter Fraud and Corruption Tracker (CfFaCT) will be including some questions which reflect the former Audit Commission Survey.

The CIPFA Counter Fraud Centre seeks to create an active network of professionals as well as alerts, good practice and directories for those who subscribe. It aims to facilitate cross sector working and sharing of good practice and to bridge the capacity and other gaps left for local authorities after the creation of SFIS, the abolition of the NFA and the Audit Commission. The Centre also hosts FFL, is secretariat to the FFL Board and provides support on the Strategy.

The Government's new UK Anti-Corruption Plan names the CIPFA Counter Fraud Centre as providing tools and services on anti-corruption for local authorities.

The National Anti-Fraud Network

The National Anti-Fraud Network (NAFN) provides a range of services to support the work of local authority departments. With a large local authority membership and over 10,000 users the organisation is widely recognised as provider of data and intelligence to the local government community.

These include online access to credit referencing agencies and an overnight service for current vehicle keeper details from the DVLA.

NAFN provides regular bulletins and intelligence alerts on developing threats that have been identified by members and partners as well as acting as a disseminating body for several bodies including the National Crime Agency, National Fraud Intelligence Bureau, CIPFA, LAIOG and Financial Fraud Action UK.

Single Fraud Investigation Service (SFIS)

The coalition Government's new strategy for tackling fraud and error within welfare benefits established the Single Fraud Investigation Service (SFIS) in 2013. The new SFIS has consolidated the benefit/tax credit fraud investigation teams across the Department for Work and Pensions (DWP), local authorities and HM Revenue and Customs with the aim of delivering a single investigative organisation through the DWP's Fraud and Error Service.

From July 2014 those local authority investigation staff – including managers and support staff deemed to be predominantly involved in the investigation of welfare benefits – began transferring to the new organisation working under a single joined up policy and operational procedure, enabling the organisation to investigate the totality of welfare benefit fraud. This transfer process is due to be completed in March 2016.

Under SFIS, local authorities will no longer have the remit to investigate housing benefit and council tax benefit frauds but will retain responsibility to identify suspected benefit fraud to SFIS and will retain responsibility for preventing and detecting suspected fraud and delivering council tax reduction schemes and any related frauds within the schemes.

There is a risk that the exchange of information and joint working between SFIS and local authority investigators will be reduced because neither organisation will have the remit to prosecute offences spanning frauds that fall within the other's scope.

While the creation of SFIS has already begun to strengthen the fight against welfare benefit fraud, the transfer of local authority fraud staff to the new organisation has left some local authorities at risk of not having sufficient resources available to

tackle other non-benefit, corporate and local frauds affecting their own organisation and residents.

Local authorities should consider reviewing how remaining teams will be financed and resourced, revisit their fraud risk registers and strategy for tackling non welfare benefit related fraud. This provides the opportunity for innovative thinking on joint working with other authorities, data sharing and engaging external organisations to develop products to assist in tackling those frauds that present an unquantified loss.

Proceeds of crime and recovery

The Proceeds of Crime Act 2002 (POCA) remains a crucial and powerful tool for local authorities to use to recover money lost through fraud. Many local authorities have trained financial investigators and collaborate closely with local police teams, with other internal teams such as Trading Standards and with legal teams to maximise resources to take money out of criminal activity.

The progress made so far is now potentially at risk. A reduction in local authority resources means that, to reduce costs, some organisations are undertaking less prosecution work which restricts the ability to take action to recover the proceeds of crime.

In addition, the transfer of housing benefit and council tax benefit investigations to SFIS further reduces the potential source of financial investigations. This could present a risk as there may not be sufficient work available for those financial investigators who remain in local authorities to maintain their accreditation. Some innovative solutions to this are suggested in this Companion.

Local authorities should strike the right balance when looking at money recovered from POCA, making a business case for prosecutions but not setting unachievable financial targets and the moral argument should be considered as part of this.

In addition, obtaining a confiscation order does not always result in money being recovered quickly and financial investigators are not always told when cases are forwarded to the enforcement court. Further work is required when a person absconds and the whole confiscation enforcement process starts again if he or she is found. There is the added complication that the court system is under strain which means that initial hearing dates may not

be available for many months. When proceeds of crime cases do progress to being heard, there appear to be instances where further development of case law is needed so that the powers can be successfully applied.

The Home Office has made changes to POCA through the Serious Crime Act 2015, which received Royal Assent on 3 March. These changes relate primarily to the enforcement of confiscation orders, and should ensure that orders are enforced more quickly through the courts.

The Home Office is also looking to commence the power for magistrates' courts to make confiscation orders under £10,000. Dedicated forums and organisations involved in asset recovery work and legislation should continue to provide feedback on any problems encountered to enable the continued improvement of this important criminal finances recovery mechanism.

Local authority financial investigators are using innovative approaches to combat some of the problems encountered when using the legislation and the effects of resource reductions resulting from local authority budgetary constraints.

These include:

- Working closely with other internal departments such as trading standards and planning enforcement
- Combining resources with local police payback teams
- Promoting and tendering their financial investigation resource to third parties and other local authorities
- Undertaking training in cash seizures and enacting the powers available to bring the proceeds of crime back into the authority.

The NCA Proceeds of Crime Centre is under legal obligation within POCA to monitor and regulate the use of POCA powers. It is responsible for training, accrediting and assessing the continued professional development of those authorised to use the powers. As such it needs to consider whether the training delivered could be redesigned to take into account civilian usage of the powers rather than being focused on the use of a police officer.

The Metropolitan Police's Serious and Organised Crime Command has successfully collaborated with financial investigators from several London local authorities. There are currently nine Metropolitan Police Criminal Finance Teams set up as hubs; 4 in the north, 4 in the south and one central team; that are instrumental in training and mentoring several local authority investigators working together to tackle serious and organised acquisitive crime.

The focus of this relationship is to recover assets and ensure that criminals do not benefit from criminal activities.

The Police Response to Fraud

Although local authority investigators may face problems with the usage and administration of financial investigative powers, there have been many high profile successes since FFL 2011.

Credit should be given to groups such as the Financial Investigator Forum which has been at the forefront of sharing information and best practice on how to maximise the Act to recover money. Publicity on recovery can help deter and prevent fraud.

The London Borough of Enfield won a Fighting Fraud Award for their work on asset recovery, a former FFL 2011 pilot, and has a number of good examples of recouping the losses from fraud.

“One of the difficulties in the entirely appropriate principle of multi-agency partnerships in prevent and pursuit lies in not being certain what the other agencies will actually be able to contribute to the overall strategic objectives. Policing in austerity is undergoing changes that are not predictable at present, and for relatively low priority cases involving LAs, the general strains on financial crime policing make reliance on their involvement in substantial investigations unwise.

So without some heavier agreements in place, we may need to rely more on resilience (under Protect and Prepare) than on after-the-fact pursuit of offenders.

”

Prof Michael Levi – Cardiff University

Overarching Themes

During the research several themes emerged that councils may find useful to base their activities around. The themes that have emerged from the research fall into the following areas:

- Culture
- Capability
- Competence
- Communication
- Capacity
- Collaboration

There are many good examples of local authorities undertaking campaigns, raising awareness both internally and externally and also publicising success in ways designed to prevent fraud and deter fraudsters.

From the research undertaken for this Strategy, it appears that communication and a better understanding of roles and responsibilities could strengthen awareness further across local authorities and assist in the ‘tone from the top’ (see Rec 6 and 7). This in turn may help to bring about a change in culture, aside from fraud awareness campaigns internally.

Local authorities would like the support of central government to tackle fraud. This should include praising local authorities and openly acknowledging their proactive work in this area and celebrating success.

Whilst the principles of Acknowledge, Prevent and Pursue show what needs to be done, the themes cover the areas of ways in which the principles can be achieved.

Culture

Creating a culture in which beating fraud and corruption is part of daily business is a key component of fighting fraud.

This theme sits across all the elements of countering fraud and corruption: prevention, detection, deterrence, investigation, sanctions and redress.

This list is not exhaustive, but actions should include ensuring that:

- Culture involves a robust and consistent tone from the top
- Fraud awareness training is provided for senior staff and elected members so that roles and responsibilities are clear
- The whistle-blowing arrangements for fraud and corruption are publicised and that it is communicated clearly that referrals will be acted upon
- Reports to elected members cover numbers of cases actioned and trends
- The policy of consistent and fair action is publicised – so that it is clear that something will happen to fraudsters
- Members of the public have trust in the counter fraud team, will report cases and see they have value for money
- The counter fraud team is viewed as a function with integrity and professionalism and a ‘go-to’ place for advice and support
- Practitioners within the local authority work with the counter fraud team and view counter fraud activity positively
- There are clear policies (e.g. anti-bribery and corruption, declarations of interest) that are applied consistently across the authority
- Local authorities should work internally to fraud-proof new policies and procedures.

“As Tri-borough Head of Fraud I see the importance of creating an antifraud culture that sits across all our organisations and also is messaged to the agencies we work with such as housing providers. Across the three councils we ensure that our actions impress a holistic approach to countering fraud and make it part of our day to day business

”

Andy Hyatt

Tri Borough Head of Fraud RBKC,
Hammersmith & Fulham and Westminster

Collaboration

Local authorities have shown since FFL 2011 that they understand and appreciate the value of collaboration. This progress needs to be built upon and rewards will follow.

The areas covered and the benefits of collaboration are many:

- Dealing with different types of fraud together is more holistic
- Cases can be taken through a process once, with all parts of the crime dealt with together
- It is more cost effective for all agencies to take action together
- Working across the local authority means that fraud enablers may be highlighted
- Working across the local authority means that detecting one type of fraud may lead to another being uncovered
- Local authorities already work with other agencies. The creation of multiple intelligence, data and investigative hubs opens up opportunities to link up with other local counter fraud agencies e.g. NHS Local Counter Fraud Specialists
- Local authorities should seek out opportunities to share resources, work across boundaries, share skills and spread learning and innovation on counter fraud and corruption to mitigate the consequences of cuts and other changes
- There are also opportunities to work with national agencies for example through the Home Office, CIPFA Counter Fraud Centre and National Crime Agency
- Collaboration can support a change in culture.

“Coming to terms that your local authority may be the victim of fraud can be difficult. Fraud affects our reputation, services and the public funds that we are here to safeguard. Fraud can often be hidden and we need to play a role in uncovering it. Being proactive is key to uncovering fraud.

Working together strengthens our efforts. In our authority we have set about a number of initiatives not alone but working with our partners and national agencies to show the fraudsters that we mean business.

”

Janet Senior

Executive Director Resources
and Regeneration Lewisham Council

Birmingham City Council Case Study – Multi Agency Working cleared

Birmingham City Council demonstrated the value of working with other agencies to tackle an organised fraud and bring the perpetrators to justice. Initial enquiries made by the council’s Benefit Counter Fraud Team through the National Anti-Fraud Network (NAFN), established that the Home Office also had an interest in these individuals.

The two organisations, along with the Department for Work and Pensions (DWP), subsequently set up a joint operation as it quickly became apparent that the individuals, all from the same family, were involved in making fraudulent benefit claims, false applications for leave to remain, and a fraudulent mortgage application.

The investigation identified fraudulent benefit claims amounting to £85,000 and over 30 fraudulent applications for leave to remain in the UK made on behalf of non-EU citizens. False information was provided in support of a mortgage application to fund the purchase of a property that was then used to house family members whose rent was paid through housing benefit.

The investigation culminated in six individuals being convicted, two of whom received custodial sentences. Following sentencing, POCA commenced and confiscation orders totalling £380,000 were secured against two of the defendants.

Capacity

In order to continue to function effectively post SFIS implementation, and to take account of the recommendations in the UK Anti-Corruption Plan, local authorities will need to make an assessment of their risks.

This will require an honest appraisal of risks and the resources required to tackle them and whether that can be done locally, with the support of the national agencies or with neighbouring authorities.

Work to ensure the correct capacity will include:

- A new assessment of the risks of fraud and corruption (post SFIS)
- Using the FFCL Checklist
- Understanding and acknowledging that they may have risks
- Appropriate measurement and a common methodology.

Capability

After establishing the right resources it is essential for local authorities to ensure that they have the right capabilities. In a changing environment where resources are limited: and where fraud types are constantly changing and where staff may be moving roles, it will be vital to ensure that they have the resource in place.

This can include:

- Having a fraud response plan
- Anti money laundering and similar policies
- Reporting procedures
- Having the right powers and access to the right people
- Using appropriate technology
- A costed plan that can support relevant activity

Post SFIS, it will be ever more important to have a common set of standards for those working in counter fraud and for them to have proper training and an understanding of the whole picture within counter fraud.

Competence

This covers skills and standards. FFL 2011 recommended professionally accredited training. A vital element of any effective counter fraud strategy is the ability of the organisation to call on competent, professionally accredited counter fraud specialists trained to the highest possible professional standards to investigate suspected fraud.

Authorities need to be confident that evidence has been lawfully obtained and professionally presented, regardless of whether the anticipated outcome of an investigation is a disciplinary hearing, civil action or criminal proceeding.

“To respond to the continuing threat of fraud, it is essential that organisations have access to specialist counter fraud capabilities, able to conduct reactive investigations effectively, and advise on preventative and deterrent measures to minimise risk. The Counter Fraud Professional Accreditation Board (CFPAB) was set up with the active support of government ministers in 2001 to establish and maintain professional standards in the delivery of a portfolio of professional training courses in the field of counter fraud.

The CFPAB oversees the provision of accredited training in both the private and public sector, and to date has issued over 14,000 accreditations to candidates who have completed sector specific academically accredited counter fraud courses.

At the core of all CFPAB accredited courses is the legislative and practical knowledge needed to ensure that counter fraud activity is conducted lawfully and to a standard that will enable redress through either the civil or criminal courts.

John Rosenbloom,
Chair of Counter Fraud
Professional Accreditation Board

”

Collaborative Initiative: Protecting the Vulnerable Against Fraud

A number of local authorities are working in collaboration with Cifas – the UK’s fraud prevention service – to use its Protective Registration service to safeguard vulnerable individuals in their care against identity fraud and financial abuse. Cifas Protective Registration is designed to protect individuals who are at particular risk of identity theft, or who have already been victims, leaving them open to their details being used fraudulently by a third party to obtain credit or products and services.

The service provides extra checks on any financial applications made in the individual’s name, either to confirm that the application is genuine or to stop attempts to defraud the individual. Protective Registration for the Vulnerable – which is provided free to participating local authorities – is specifically designed for clients who are subject to a court order of protection under The Mental Capacity Act 2005 and are not able to request financial or other services (such as credit, loans, passports and bank accounts).

Appointed guardians – such as the Appointee or Court Deputy – may apply for Protective Registration for vulnerable individuals in their care. The person’s details are then held securely and confidentially on the Cifas database. When requests for credit or other services are made in the person’s name to a Cifas member organisation, an alert is issued so the provider will be aware of the circumstances of the individual and can take action. This service is already being used by local authorities in Birmingham, York, Gloucester and Islington, and discussions are proceeding with eight more.

Case Study

A long established customer of a bank came into the branch accompanied by their ‘social worker’. The gentleman wanted to switch his bank account from a savings account to an account he could access with a cash card.

The bank ran his details through Cifas and matched on a Protective Registration for the Vulnerable case. The bank contacted Cifas for advice, who in turn contacted the local authority. The local authority advised Cifas that this situation could not be genuine, as no social worker would accompany one of their clients to a bank and that any change in financial products would come from the local authority and not from the individual himself.

Cifas relayed this information back to the bank and also provided the local authority with the name of the individual so that they could carry out welfare checks.

Communicate

Having a robust communication policy and celebrating and publicising what you do and your successes is integral to having an effective counter fraud culture. It is not just about publicity campaigns. A key part of the Acknowledge principle of FFL is to recognise the issue and put in place a plan to deter and catch fraudsters.

This work cannot be done in isolation by communication teams or counter fraud teams. While local authorities should assess risks and put together action plans, these should be shared in a timely fashion with the audit committee and with leadership teams. This includes raising awareness across the whole local authority of the need to identify fraud and corruption and guidance on how to do so. Specific awareness raising is essential for those in areas of work particularly at risk of fraud and corruption, and publicity campaigns should also be directed at citizens.

It also includes having sound whistle-blowing procedures, communicating how to report fraud and corruption and creating a culture where reports can be made without the fear of recrimination.

Another essential element is to ensure that those who process and create systems are aware of where and how frauds have happened and are able to close the vulnerability gaps. This requires joined up working and making the counter fraud culture part of daily business.

For counter fraud teams, this holistic approach may help in decisions on resources, and may lead to better referrals or support from senior officers and elected members.

This can include working together with other agencies or departments and tackling issues that may have a wider impact or may affect other local authority objectives.

Awareness Raising Toolkit

In February 2013, the Spot It, Stop It fraud awareness toolkit was launched. The toolkit provided a suite of resources needed to run a local campaign and can be found within the counter fraud tools on the CIPFA website. To date, there have been over 410 downloads.

There are many good examples of local authorities undertaking campaigns, raising awareness both internally and externally and also publicising success in ways designed to prevent fraud and deter fraudsters.

From the research undertaken for this Strategy, it appears that communication and a better understanding of roles and responsibilities could strengthen awareness further across local authorities and assist in the 'tone from the top' (see Rec 6 and 7). This in turn may help to bring about a change in culture, aside from fraud awareness campaigns internally.

Local authorities would like the support of central government to tackle fraud. This should include praising local authorities and openly acknowledging their proactive work in this area and celebrating success.

Launch of Fraud Awareness Campaign – Praising LAs

On 8 November 2012 the Tri-Borough (Royal Borough of Kensington and Chelsea, London Boroughs of Hammersmith and Fulham, and Westminster City Council) launched a month long fraud awareness campaign to pilot the internal and external publicity campaign toolkits developed by the NFA.

Hosted by the Royal Borough of Kensington and Chelsea, and chaired by Nicholas Hellen, Assistant Editor of The Sunday Times, the audience heard from a number of speakers including Baroness Hanham, Parliamentary Under Secretary of State and Cllr Sir Merrick Cockell, Leader of Royal Borough of Kensington and Chelsea and Chair of the Local Government Association (LGA), who all encouraged local authorities to promote fraud awareness as a key step in preventing and deterring fraud.

The pilots covered all areas of fraud, but had a specific housing fraud element. Housing fraud can be closely connected to other types of fraud, so the councils were keen to ensure that all links were identified.

Therefore, for this pilot the three councils used Action Fraud, the national reporting centre for fraud and internet crime. This means that all fraud reports would be channelled into the National Fraud Intelligence Bureau (NFIB) overseen by the City of London Police, the national lead force for fraud.

This would mark the first time that local authorities had used Action Fraud and the NFIB in this way.

Further reading

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National Fraud Authority: *Good practice publication*
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National Fraud Authority, The Local Government Fraud Strategy: *Fighting Fraud Locally, 2011*
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CIPFA: *Code of Practice on Managing the Risk of Fraud and Corruption, 2014*
<http://www.cipfa.org/-/media/files/publications/reports/cipfa%20code%20of%20practice%20on%20managing%20the%20risk%20of%20fraud%20and%20corruption.pdf>

Audit Commission: *Protecting the Public Purse, 2014 and 2013* (and previous editions)
<http://www.audit-commission.gov.uk/counter-fraud/protecting-the-public-purse-reports/>

National Fraud Authority: *Procurement Fraud in the Public Sector, October 2011*
<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/procurement-fraud-public-sector?view=Binary>

Department for Communities and Local Government: *Local Government Transparency Code 2014, October 2014*
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360711/Local_Government_Transparency_Code_2014.pdf

Department for Communities and Local Government: *Tackling Unlawful Tenancies and Occupancy: Good Practice Guidance for Social Landlords, November 2009*
<http://www.communities.gov.uk/documents/housing/pdf/1396431.pdf>

The FFCL Checklist

A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.

The following guide is a suggested voluntary checklist, describing a standard that a local authority can measure itself against to create an effective counter fraud and corruption culture and response:

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken an assessment against the risks in *Protecting the Public Purse: Fighting Fraud Against Local Government (2014)* and has also undertaken horizon scanning of future potential fraud and corruption risks.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2016 and this checklist.
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been **communicated** throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
 - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
 - register of interests
 - register of gifts and hospitality.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in *FFCL 2016* to prevent potentially dishonest employees from being appointed.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
- There is a programme of work to ensure a strong counter fraud **culture** across all departments and delivery agents led by counter fraud experts.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.
- Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.

-
- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
 - Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
 - There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.
 - All allegations of fraud and corruption are risk assessed.
 - The fraud and corruption response plan covers all areas of counter fraud work:
 - prevention
 - detection
 - investigation
 - sanctions
 - redress.
 - The fraud response plan is linked to the audit plan and is communicated to senior management and members.
 - Asset recovery and civil recovery is considered in all cases.
 - There is a zero tolerance approach to fraud and corruption which is always reported to committee.
 - There is a programme of proactive counter fraud work which covers risks identified in assessment.
 - The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.
 - The local authority shares data across its own departments and between other enforcement agencies.
 - Prevention measures and projects are undertaken using data analytics where possible.
 - The local authority actively takes part in the NFI and promptly takes action arising from it.
 - There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.
 - The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.
 - The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for:
 - surveillance
 - computer forensics
 - asset recovery
 - financial investigations.
 - Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.



Glossary of Acronyms

AFN – Annual Fraud Indicator

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206552/nfa-annual-fraud-indicator-2013.pdf

CFPAB – Counter Fraud Professional Accreditation Board

<http://www.port.ac.uk/institute-of-criminal-justice-studies/counter-fraud-professional-accreditation-board/>

CIFAS – UK's Fraud Prevention Service

<https://www.cifas.org.uk/>

CIPFA – Chartered Institute for Public Finance and Accountancy

<http://www.cipfa.org/services/counter-fraud-centre>

CIPS – Chartered Institute of Procurement and Supply

<http://www.cips.org/en-GB/>

ECC – Economic Crime Command (part of National Crime Agency)

<http://www.nationalcrimeagency.gov.uk/about-us/what-we-do/economic-crime>

DCLG – Department for Communities and Local Government

<https://www.gov.uk/government/organisations/department-for-communities-and-local-government>

FFL – Fighting Fraud Locally

FFL2011 – Fighting Fraud Locally – The Local Government Fraud Strategy 2011

<https://www.gov.uk/government/publications/fighting-fraud-locally-the-local-government-fraud-strategy>

FFL2016 – Fighting Fraud and Corruption Locally – The Local Government Fraud and Corruption Strategy 2016

LGA – Local Government Association

<http://www.local.gov.uk/>

LGA – National Crime Agency

<http://www.nationalcrimeagency.gov.uk/>

NFA – National Fraud Authority (abolished in 2014)

<https://www.gov.uk/government/organisations/national-fraud-authority>

NFI – National Fraud Initiative

<http://www.audit-commission.gov.uk/national-fraud-initiative/>

NFIB – National Fraud Intelligence Bureau

<https://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/nfib/Pages/default.aspx>

NNDR – National Non-Domestic Rates (Business Rates)

<https://www.gov.uk/government/collections/national-non-domestic-rates-collected-by-councils>

POCA – Proceeds of Crime Act

<http://www.legislation.gov.uk/ukpga/2002/29/contents>

PoSHFA – Prevention of Social Housing Fraud Act 2013

<http://www.legislation.gov.uk/ukpga/2013/3/contents/enacted>

SFIS – Single Fraud Investigation Service

<https://www.gov.uk/government/collections/single-fraud-investigation-service>

SOLACE – Society of Local Authority Chief Executives

<http://www.solace.org.uk/>

TFF – Tenancy Fraud Forum

<http://www.tenancyfraudforum.org.uk/>

Thank you

The Fighting Fraud and Corruption Locally Board is:

- Ian O'Donnell (Chair) – London Borough of Ealing
- Bevis Ingram – LGA
- Andrew Hyatt – Royal Borough of Kensington and Chelsea
- Simon Lane – Former London Borough of Brent
- Mike Clarkson – Mazars
- John Baker – Moore Stephens
- Rachael Tiffen – CIPFA Counter Fraud Centre
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG

The development of this strategy was overseen by a task and finish group commissioned by the board, whose members were:

- Charlie Adan – Chief Executive, Barbergh and Mid Suffolk District Council
- Ian O'Donnell (Chair) – Executive Director of Corporate Resources, London Borough of Ealing
- Bevis Ingram – Senior Adviser, Finance, LGA
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG
- Rachael Tiffen – Head of Faculty, CIPFA Counter Fraud Centre and Governance Faculty
- 3 Local Authority representatives
 - John Rosenbloom, former Manchester City Council
 - Stuart Limb, Leicester City Council
 - Kevin Campbell-Scott, Southwark Council
- Secretariat – Olivia Coates, CIPFA Counter Fraud Centre Project Manager

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- Rachael Tiffen

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**

And all those who attended the workshops, provided feedback or responded to surveys and who took up the actions after Fighting Fraud Locally 2011.

Produced by:

Report for: Corporate Committee – 28 June 2016

Item number: 11

Title: Annual Internal Audit Plan and Strategy 2016/17

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Anne Woods, Head of Audit and Risk Management
Tel: 020 8489 5973
Email: anne.woods@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non-key decision

1. Describe the issue under consideration

- 1.1 The Corporate Committee is responsible for reviewing and approving the annual internal audit plan as part of its Terms of Reference.
- 1.2 In order to facilitate this, a draft internal audit plan for 2016/17, together with the internal audit strategy, is provided for review and approval by the Corporate Committee.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the Corporate Committee reviews and approves the Internal Audit strategy.
- 3.2 That the Corporate Committee reviews and approves the Annual Internal Audit Plan for 2016/17.

4. Reasons for decision

- 4.1 Local authorities are required by law to maintain an internal audit function. In addition, The Accounts and Audit Regulations 2015 reinforce the statutory requirement and re-state the need for the Council to maintain an adequate and effective system of internal audit.
- 4.2 The annual internal audit plan is a key element in delivering the Council's statutory requirements. The Corporate Committee is responsible for ensuring that this is in place and approving the Council's Annual Internal Audit Plan.

5. Alternative options considered

- 5.1 Not applicable.

6. Background information

- 6.1 Within Haringey, the Internal Audit function is comprised of Mazars, who undertake the majority of the internal audit work in accordance with the contract in place, including IT and procurement audit. The in-house corporate anti-fraud team is responsible for investigations into allegations of financial irregularity, pro-active and reactive corporate anti-fraud work, provision of advice on risk and controls and some grant certification work.
- 6.2 Appendix A contains the proposed annual audit plan for 2016/17, which is risk based and has been derived following consideration of: the Corporate Plan and related Priorities; organisational changes; risk registers; corporate programmes and projects; new projects and procurement activities reported to the Cabinet; the Annual Audit and Inspection Letter; changes to legislation; and fraud investigation work completed in 2015/16.
- 6.3 This approach reflects current best practice requirements for internal audit and ensures that, over the life of the contract, the Council's key financial and non-financial systems and services will be appropriately reviewed according to risk. This approach also ensures that the Council operates a fully integrated internal audit and risk management process.
- 6.4 Appendix A also includes the audit strategy which will be used to deliver the Council's internal audit plan. The strategy has been drafted in accordance with the 2013 UK Public Sector Internal Audit Standards (PSIAS) which provide a consistent framework for internal audit services across the UK public sector.

7. Contribution to strategic outcomes

- 7.1 Internal audit is an important element of the Council's assurance processes. The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas. The annual audit plan is a key element in ensuring the Council complies with its statutory responsibilities.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work which will be completed by Mazars to undertake the annual audit plan in 2016/17 is part of the contract which was extended to 31 March 2018 in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budgets which are monitored on a monthly basis.

The Chief Finance Officer confirms that the presentation of the attached draft annual internal audit plan for approval by this Committee meets the Council's statutory requirement under the 2015 Accounts and Audit Regulations.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and advises that in view of the fact that the Annual Audit Plan has been compiled in accordance with legislative requirements and industry best practice standards, there are no direct legal implications arising out of the report.

8.3 Equality

There are no direct equality implications for the Council's existing policies, priorities and strategies as a result of this report. However, ensuring that the Council has effective internal audit and assurance arrangements in place will assist the Council to use its available resources more effectively.

9. **Use of Appendices**

Appendix A – Draft Annual Internal Audit Plan and Strategy 2016/17

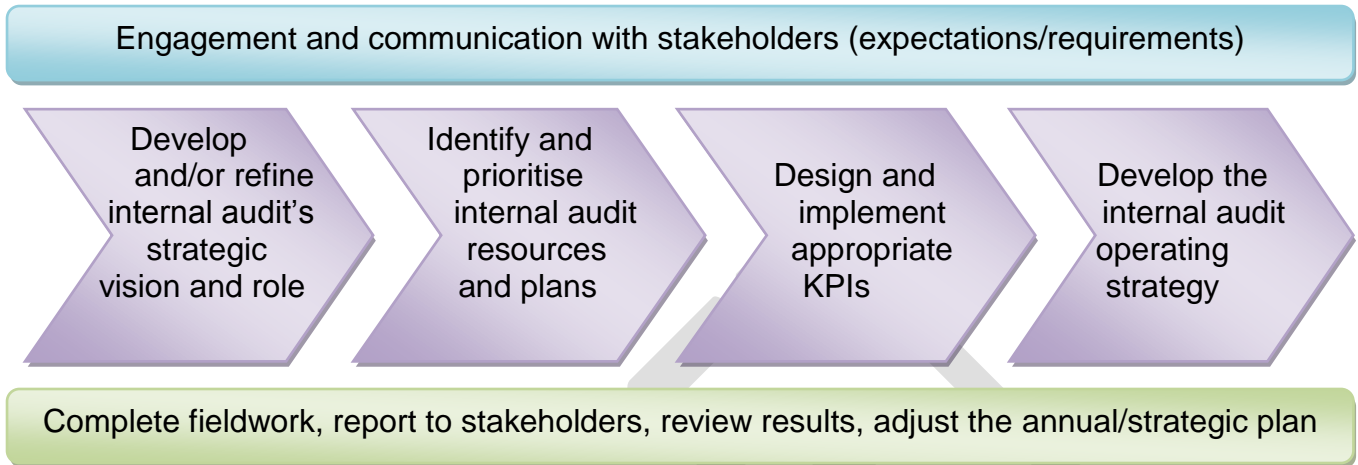
10. **Local Government (Access to Information) Act 1985**

Not applicable

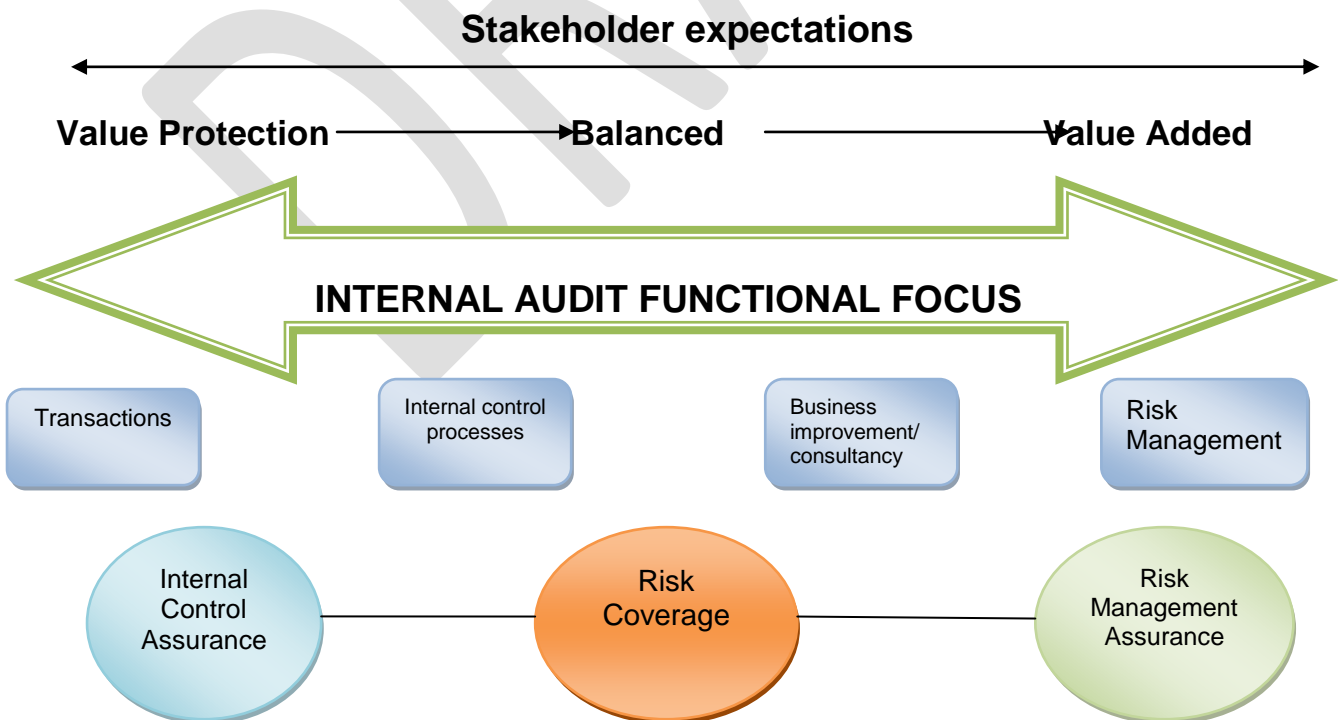
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Internal Audit Strategy – Introduction

Haringey’s internal audit function is driven by an appropriate strategy, rather than as a tactical response to operational issues, to minimise the risks that key strategic issues could be overlooked. Haringey’s framework has been developed to cover both strategic and tactical considerations and ensures that internal audit resources are used to provide the appropriate assurances for the organisation at any one time, as follows:



To create an effective internal audit function, internal audit’s key stakeholders will determine how the audit function delivers the desired value by focusing on e.g. risk management and control assurance; assessment of internal control effectiveness and efficiency; regulatory and corporate compliance assurance; developing awareness of risk and control across the organisation. Internal audit’s resources and plans are then aligned to the Council’s key business risks and operational and financial priorities as follows:



Internal Audit Objectives

London Borough of Haringey - Internal Audit Strategy and Annual Audit Plan

Haringey's approach is designed to enable internal audit's remit to evolve and develop as the organisation's needs change over time. As stakeholder needs evolve, internal audit can focus on creating value through assisting with improvements in operational processes. As Haringey's risk appetite changes, internal audit's strategy and functional focus can move from internal control, to risk management, assurance.

The internal audit strategy sets out how the Council's Internal Audit service will be delivered, in accordance with the Internal Audit Charter. Internal Audit will provide independent and objective assurance to the Council, its members, the Chief Executive and Senior Leadership Team and to the Chief Financial Officer to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs. It is the Council's intention to provide a best practice, cost efficient internal audit service which fulfils the requirements of the statutory 2013 UK Public Sector Internal Audit Standards (PSIAS).

Internal Audit's Remit

Internal Audit will:

- Provide management and members with an independent, objective assurance and advisory activity designed to add value and improve the Council's operations;
- Assist the Corporate Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance service; and
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

Service Delivery 2016/17

The internal audit service will be delivered by a 'mixed economy' of externally procured services under the direction of the Council's Head of Audit and Risk Management, supported by an in-house Corporate Anti-Fraud Team. The Council participates in the London Audit & Anti-Fraud Partnership to work with other local authorities on a shared service basis. This includes appropriate: resource provision, joint working, audit management & strategy and a range of value added services.

The resources to deliver the internal audit and counter-fraud function have been assessed as adequate to fulfil the requirements of the PSIAS and ensure that the key risks of the Council are subject to an appropriate level of independent audit review.

Internal Audit Planning

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- Discussions with the Council's senior management, statutory officers and Priority Owners;
- The Council's Risk Registers and Corporate Plan;
- Outputs from other assurance providers; and

London Borough of Haringey - Internal Audit Strategy and Annual Audit Plan

- Requirements as agreed with the council's external auditors.

The annual Internal Audit Plan is composed of the following:

- **Corporate Plan/Priority and Business Area Risk Based Audits:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they operating correctly. The selection of work in this category is driven by internal audit's and senior managers' risk assessment and may also include work in areas where the Council services are delivered in partnership with or by other organisations.
- **Key Financial Systems:** Audits of the Council's key financial systems where external audit require annual assurance as part of their external audit work programme.
- **Probity Audit (schools establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice is confirmed. For schools this includes assessment against criteria included in the Schools Financial Value Standard.
- **Computer Audit:** The review of ICT infrastructure and associated systems, software and hardware.
- **Contract and Procurement Audit:** Audits of the Council's procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Counter-Fraud and Ad-Hoc Work:** The in-house Corporate Anti-Fraud Team undertakes a programme of pro-active and reactive counter-fraud investigations. A contingency of audit days are also included in the annual audit plan to cover any additional work due to changes or issues arising in-year.

Follow-up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against agreed targets for implementation. Progress will be reported to management and to the Corporate Committee on a quarterly basis. Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management.

Reporting

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and at the follow up stage. Summary reports are also provided to the Corporate Committee on a monthly basis and high level reports provided on a quarterly basis. This includes the Head of Internal Audit's annual report which contributes to the assurances underpinning the Annual Governance Statement of the Council.

London Borough of Haringey - Internal Audit Strategy and Annual Audit Plan

Internal Audit Plan 2016/17

The annual internal audit plan has been discussed and agreed with the Chief Executive; Senior Leadership Team; Statutory Officers' Group; Priority Owners; and nominated clients for the work. The plan and strategy are submitted to the Corporate Committee for final approval and any significant changes to the annual internal audit plan and/or the internal audit strategy will be reported during the year to the Corporate Committee for formal approval.

The table below sets out the internal audit work to be completed by the external contractor. The total number of days to be delivered excludes audit work that will be completed as part of the Service Level Agreement with Homes for Haringey, or the corporate anti-fraud team's work.

The work planned aims to provide coverage across the value protection and value added requirements of the Council. The internal audit service has focused its annual plan to align it with the identified key risks within the Corporate Plan in order to provide assurance across the Priority areas. Assurance on Priority 5 key risk areas will be provided in part via internal audit's annual audit plan delivered via Homes for Haringey.

Audit area	Client	Quarter	Days
Corporate/Cross Cutting Risk Audits			
Recruitment and selection processes (temporary and permanent appointments)	Assistant Director – SSC	3	12
Shared service centre – arrangements for case management processes (to include IT system – vFire)	Assistant Director – SSC	2	20
Freedom of Information Act requests	Assistant Director – HR	4	10
Implementation of 'My Conversation' performance management process	Assistant Director – HR	3	12
Implementation of Welfare Reform and assistance processes (including DHP)	Chief Operating Officer	4	10
Security of data, governance arrangements, performance monitoring and management.	Chief Operating Officer	1-4	10
Priority Board Risk and Assurance support, including project assurance	Priority Owners	1-4	20
Sub-total – Corporate Risk Audits			94
Corporate Plan – Priority Risk Audits			
Priority 1 – Outstanding for all			
'Missing' children processes	Director of Children's Services	3	10
Early Help assessment processes	Director of Children's Services	3	10
Re-referrals, recording and reporting	Director of Children's Services	3	10
Services to Schools	Assistant Director, Schools & Learning	2	12
Sub-total Priority 1			42
Priority 2 – Outstanding for all			
Safeguarding (Deprivation of Liberty) processes	Director for Adult Social Services	2	10
Learning Disabilities, Physical Disabilities, Mental Health –			

London Borough of Haringey - Internal Audit Strategy and Annual Audit Plan

Audit area	Client	Quarter	Days
assessments and transition processes from Children's Services to Adult Services	Director for Adult Social Services; Director of Children's Services	3	20
Supply Chain Resilience – business continuity in commissioning of adult social care services	Director for Adult Social Services; Assistant Director for Commissioning	2	10
Sub-total Priority 2			40
Priority 3 – Clean and Safe			
CCTV (mobile and static) use and operation	Assistant Director for Environmental Services and Community Safety	2	10
Transport Services	Assistant Director for Environmental Services and Community Safety	3	10
Parking Services – on street income and enforcement	Assistant Director for Environmental Services and Community Safety	2	10
Sub-total Priority 3			30
Priority 4 – Sustainable Housing Growth and Employment			
Haringey Development Vehicle – strategic partner and operating processes	Assistant Director for Regeneration	4	12
Carbon reduction – performance measurement and reporting	Assistant Director for Regeneration	3	10
Sub-total Priority 4			22
Sub-total – Priority-based Risk Audits			
Corporate IT Audits			
HCL/Sunguard incident management	Assistant Director – SSC; Head of IT	1	10
Cyber security/incident response (including supply chain resilience)	Assistant Director – SSC; Head of IT	2	10
Active Directory User Security	Assistant Director – SSC, Head of IT	4	12
'My Account', Customer Portal	Assistant Director – Customer Services, Head of IT	4	10
OHMS – application	Head of IT	3	12
Xpress – electoral registration application	Head of IT	3	10
CACI ChildView - application	Head of IT	3	10
Sub-total – Corporate IT Audits			74
Contract and Procurement Audit			
Key contract performance reviews:			
Residential Care – adult and children's services, monitoring, care quality.	Assistant Director for Commissioning	3	12
ICT contract delivery (tri-borough)	Chief Operating Officer	4	10
Facilities Management	Assistant Director for Environmental Services and	3	8

London Borough of Haringey - Internal Audit Strategy and Annual Audit Plan

Audit area	Client	Quarter	Days
	Community Safety		
Highways Repairs Contract	Assistant Director for Environmental Services and Community Safety	2	12
Sexual Health and Substance Misuse Contracts	Director of Public Health	1-4	15
Use of waivers	Head of Procurement	2	10
Sub-total – Contract Audits			67
Key Financial Systems (KFS) and Corporate Finance			
Strategic Financial Management & Budgetary Control – full review	Assistant Director – Finance	3	10
Cash Receipting – full review	Assistant Director – Finance	3	12
Treasury Management – high level review	Assistant Director – Finance	3	5
Accounting & General Ledger – high level review	Assistant Director – Finance	4	5
Accounts Payable (Creditors) – Continuous audit, plus key controls review	Assistant Director – SSC	1-4	15
Pension Fund Investment – high level review (client/GLA)	Assistant Director – Finance	4	5
Accounts Receivable (Sundry Debtors) – high level review; including Ash IT application	Assistant Director – SSC	4	17
Housing Benefits – high level review	Assistant Director – SSC	3	10
Council Tax – high level review	Assistant Director – SSC	4	8
NNDR – full review, including discretionary business rates relief policy	Assistant Director – SSC	4	15
Payroll – Continuous audit, plus key controls review	Assistant Director – SSC	1-4	15
Teachers' Pensions contributions (Grant certification requirement)	Assistant Director – Finance	1	5
Sub-total – Key Financial Systems and Corporate Finance			122
School Audits Risk Based Programme			
Primary Schools			
Ferry Lane	School Head teacher	TBC	5
Lordship Lane	School Head teacher	TBC	5
North Harringay	School Head teacher	TBC	5
Our Lady of Muswell Hill	School Head teacher	TBC	5
Seven Sisters	School Head teacher	TBC	5
St Aidan's CE	School Head teacher	TBC	5
St John Vianney RC	School Head teacher	TBC	5
St Mary CE	School Head teacher	TBC	5
St Michael's CE (N6)	School Head teacher	TBC	5
Stamford Hill	School Head teacher	TBC	5

London Borough of Haringey - Internal Audit Strategy and Annual Audit Plan

Audit area	Client	Quarter	Days
Stroud Green	School Head teacher	TBC	5
Tetherdown	School Head teacher	TBC	5
Tiverton	School Head teacher	TBC	5
West Green	School Head teacher	TBC	5
Weston Park	School Head teacher	TBC	5
Tuition Service	School Head teacher	TBC	5
Junior Schools			
Belmont Junior	School Head teacher	TBC	5
Infant Schools	School Head teacher	TBC	5
Rokesly Infants	School Head teacher	TBC	5
Nursery Schools			
Pembury	School Head teacher	TBC	5
Woodlands Park Nursery School and Children's Centre	School Head teacher	TBC	5
Secondary Schools			
Fortismere	School Head teacher	TBC	6
Highgate Wood	School Head teacher	TBC	6
Northumberland Park	School Head teacher	TBC	6
Special Schools			
Riverside	School Head teacher	TBC	5
The Vale	School Head teacher	TBC	5
The Brook on Broadwater	School Head teacher	TBC	5
Blanche Neville	School Head teacher	TBC	5
Tuition Service	School Head teacher	TBC	5
Follow up of 2015/16 school audits	School Head teachers	TBC	20
Sub-total – School Audits			168
Follow up audits 2015/16 audits			30
Admin and Management			50
Contingency			36
Total – Contractor delivered days			775

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LONDON BOROUGH OF HARINGEY

Audit Progress Report
June 2016

Page 141

INTRODUCTION

Background

This report is intended to provide the Audit Committee with an outline of our progress against our proposed work for 2015/16.

The Local Audit and Accountability Act 2014 makes the Comptroller and Auditor General for the National Audit Office responsible for the preparation, publication and maintenance of the Code of Audit Practice.

The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act:

Audit of the financial statements

- to be satisfied that the accounts present a true and fair view, and comply with the requirements of the enactments that apply to them
- to be satisfied that proper practices have been observed in the preparation of the accounts

Value for money arrangements

- to be satisfied that the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Reporting

- issue an audit plan that sets out how the auditor intends to carry out their duties
- report the findings of the audit to those charged with governance
- to express an opinion on the accounts
- the opinion on the organisation's arrangements to secure economy, efficiency and effectiveness in the use of resources
- to certify the completion of the audit
- issue an annual audit letter highlighting the results of the auditor's work.




Other assurance work

We are also undertaking work to provide grant certification assurance on the Housing Benefit Subsidy Claim and other grant claims and returns required by the Council.

Progress to date

We have assessed whether the arrangements put in place by the Council will allow us to complete our work by the expected deadlines and whether there are any issues that are likely to have a significant impact on our ability to provide unmodified audit reports and opinions.

This is included as a 'RAG' assessment in the report.




ASSESSMENT	EXPLANATION
RED 	Unlikely to be able to meet reporting deadlines, significant concerns over governance or finance, or expected modification of audit report or opinion.
AMBER 	Some concerns around meeting reporting deadlines, some concerns over governance or finance, or potential risk of modification of audit report or opinion.
GREEN 	On target to meet deadlines and no current concerns over governance or finance.
TBC	Work not yet started or sufficiently progressed to include a 'RAG' assessment

Tracking progress

In order to allow you to track our progress, where work has been completed and previously reported to you we have 'greyed' out the text.

The key completion and reporting dates are also noted in the following tables.

AUDIT PROGRESS 2015/16

AUDIT AREA	SCOPE	PROGRESS	REPORTS / OUTPUTS	RAG
PLANNING				
Planning letter	We are required to provide you with a planning letter setting out the scope of the audit for the year and the proposed fees set by Public Sector Audit Appointments Limited (PSAA).	<p>We have issued our planning letter and the proposed fees for the NAO Code audit are £206,475.</p> <p>We estimate that the fees for the grant certification review of the Housing Benefit Subsidy Claim will be £33,190.</p>	<p>Planning Letter</p> <p>Issued 1 April 2015.</p>	
Audit plan	We are required to report to you the results of our detailed audit planning and the proposed audit response to significant audit risks ahead of commencement of the audit work.	We issued our audit plan in March.	<p>Audit Plan</p> <p>Reported to the Corporate Committee on 14 March 2016.</p>	
FINANCIAL STATEMENTS				
Interim visit	Audit of the significant financial systems that support the financial statements to be completed before draft accounts are prepared.	<p>Review and testing of the operating effectiveness of internal controls operated by the Council undertaken.</p> <p>Initial audit testing on transactions also undertaken at this visit.</p>	<p>Significant deficiencies in internal controls</p> <p>No significant deficiencies in internal controls identified through our audit work to date.</p> <p>All other observations on internal controls will be reported in our Final Audit Report to the Corporate Committee on 15 September 2016.</p>	

AUDIT PROGRESS 2015/16

AUDIT AREA	SCOPE	PROGRESS	REPORTS / OUTPUTS	RAG
FINANCIAL STATEMENTS (continued)				
Final audit visit	<p>Audit of the draft financial statements to determine whether these give a true and fair view and have been prepared in accordance with the CIPFA's Code of Practice.</p> <p>The audit also includes a review of the annual governance statement.</p>	Final audit testing of the financial statements will commence upon receipt of the draft financial statements, and on site at the Council from 11 July 2016.	<p>Final Audit Report</p> <p>The findings of our audit on the financial statements will be reported to the Corporate Committee on 15 September ahead of the deadline of 30 September.</p> <p>Auditor's report</p> <p>The opinion on the financial statements will be included in the auditor's report and issued following the Corporate Committee's approval of the financial statements.</p>	<p>TBC</p> <p>15 September 2016</p> <p>Deadline</p> <p>30 September 2016</p>
Whole of Government Account (WGA) schedules audit	We are required to provide an opinion whether the Council's WGA consolidation pack is consistent with the financial statements.	Review to be undertaken during the financial statements audit at the final audit visit.	<p>Opinion on the WGA consolidation schedules</p> <p>The opinion on the consistency of the consolidation pack will be issued following the Corporate Committee's approval of the financial statements.</p>	<p>TBC</p> <p>15 September 2016</p> <p>Deadline</p> <p>3 October 2016</p>
USE OF RESOURCES				
Review of arrangements to secure economy, efficiency and effectiveness	<p>The NAO has published revised guidance (AGN 03) for the scope of the work on value for money arrangements for 2015/16 and supporting information for Councils.</p> <p>We are required to be satisfied that the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>	Review of the Council's arrangements, financial outturn and updates to the 2016/17 and medium term financial planning currently being undertaken.	<p>Final Audit Report</p> <p>The findings of our review of use of resources will be reported to the Corporate Committee on 15 September ahead of the deadline of 30 September.</p> <p>Auditor's report</p> <p>The conclusion on use of resources will be included in the auditor's report and will be issued following the Corporate Committee's approval of the financial statements.</p>	<p>TBC</p> <p>15 September 2016</p> <p>Deadline</p> <p>30 September 2016</p>

AUDIT PROGRESS 2015/16

AUDIT AREA	SCOPE	PROGRESS	REPORTS / OUTPUTS	RAG
GRANTS AND RETURNS				
Review of the Housing Benefit Subsidy claim	To review and submit the Housing Benefit Subsidy grant claim in accordance with the PSAA HBCOUNT arrangements by 30 November 2016.	Review is in progress.	Housing Benefit Subsidy grant claim to be audited and submitted by 30 November 2016 deadline.	TBC 15 September 2016 Deadline 30 November 2016
REPORTING				
Audit certificate	To certify the completion of the audit at the point that the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.	To be issued on completion of the audit of the financial statements and review of the arrangements to secure economy, efficiency and effectiveness.	Auditor's report The audit certificate to close the audit for the year will be included in the auditor's report.	Deadline 30 September 2016
Annual audit letter	Public-facing summary of audit work and key conclusions for the year.	Annual Audit Letter to be drafted upon completion of audit work.	Annual audit letter The key findings from our audit will reported in the annual audit letter.	Deadline 31 October 2016
Grants report	Summary of our certification work completed on 31 March 2016 claims, to be issued by February 2017.	To be drafted after certification work concluded.	Grants Report The key findings from our work will be reported to the Corporate Committee.	Deadline 28 February 2017

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

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Report for: Corporate Committee 28 June 2016

Item number: 13

Title: Treasury Management 2015/16 Outturn

Report authorised by : Tracie Evans (COO)

Lead Officer: Oladapo Shonola, Head of Finance – Treasury & Pensions,
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020 8489 3726

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key Decision

1. Describe the issue under consideration

1.1 This is a report to Members on treasury management activity and performance during 2015/16 in accordance with the CIPFA Treasury Management Code of Practice. It is a requirement of the Code for this to be reported on to Council once Corporate Committee has considered it.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That Members:

(a) Note the treasury management activity and performance during 2015/16.

4. Alternative options considered

None

5. Background information

5.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement. CIPFA has defined Treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of

the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 5.2 The Code recommends that members are informed of treasury management activities at least twice a year. Formulation of treasury policy, strategy and activity is delegated to the Corporate Committee and this Committee receives reports quarterly.
- 5.3 However, overall responsibility for treasury management remains with the Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2015/16 on 23rd February 2015.
- 5.4 This outturn report (Appendix 1) is a requirement of the Code and it summarises the activity and performance in 2015/16 against prudential and treasury indicators approved by Full Council.
- 5.5 With regard to investments, Government guidance on local authority treasury management states that local authorities should consider the following factors in the order they are stated:

Security – Liquidity – Yield

The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. However, no treasury management activity is without risk and the effective identification and management of this risk are integral to the Council’s treasury management activities.

- 5.6 This report has been written in consultation with the Council’s treasury management advisers, Arlingclose.

6. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

6.1 Finance and Procurement

The treasury management strategy in 2015/16 was to continue to maximise internal borrowing and, therefore, to minimise cash balances. This policy not only reduced credit risk in the year but also reduced the cost of borrowing.

6.2 Legal

The contents and recommendation of this report are in accordance the Treasury Management Strategy Statement and consistent with legislation governing the financial affairs of the Council. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee.

7. Use of Appendices

7.1 Appendix 1: Annual out-turn report

8. Local Government (Access to Information) Act 1985

8.1 Not applicable

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Annual Treasury Outturn Report 2015/16

1. Introduction

- 1.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).
- 1.2. The Authority's Treasury Management Strategy for 2015/16, which can be accessed on the Council's website, was approved by Full Council on 23 February 2015.
- 1.3. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. External Context

- 2.1. **Growth, Inflation, Employment:** The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year on year in February 2016, but this was still well below the Bank of England's 2% inflation target.
- 2.2. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.
- 2.3. **Global influences:** The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.
- 2.4. **UK Monetary Policy:** The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its

Annual Treasury Outturn Report 2015/16

eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

- 2.5. Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.
- 2.6. However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).
- 2.7. **Market reaction:** From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.
- 2.8. 10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

3. Local Context

- 3.1. At 31/03/2016, the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £548m, while usable reserves and working capital which are the underlying resources available for investment were £93.10m.
- 3.2. At 31/03/2016, the Authority had £283.2m of borrowing and £17.6m of investments. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing.
- 3.3. The Authority has an increasing CFR over the next 3 years as the Council implements its capital strategy. This will require some borrowing hence the reason the CFR is projected to increase over the next 3 years and beyond.

Annual Treasury Outturn Report 2015/16

4. Borrowing Strategy

- 4.1. At 31/03/2016 the Authority held £283.3m of loans, (a decrease of £10.83m on 31/03/2015) as part of its strategy for funding previous years' capital programmes.
- 4.2. The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.
- 4.3. Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources / borrow short-term loans instead.
- 4.4. The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis.
- 4.5. Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, also remained affordable and attractive. £59.7m of such loans were borrowed at an average rate of 0.50% and an average life of 1 month which includes the replacement of maturing loans.

Annual Treasury Outturn Report 2015/16

Borrowing Activity in 2015/16

	Balance on 01/04/2015 £'000	Maturing Debt £'000	Debt Prematurely Repaid £'000	New Borrowing £'000	Balance on 31/03/2016 £'000	Avg Rate % and Avg Life (yrs)
Capital Financing Requirement (CFR)	549,387				548,015	
Short Term Borrowing ¹	0	30,700	0	59,700	29,000	0.50% - 1 month
Long Term Borrowing	294,065	10,832	0	0	283,233	5.19% / 27.5 yrs
TOTAL BORROWING	294,065	41,532	0	59,700	312,233	5.19% / 27.5 yrs
Other Long Term Liabilities	48,218	3,198	0	0	45,020	n/a
TOTAL EXTERNAL DEBT	342,283	44,730	0	59,700	357,253	n/a
Increase/ (Decrease) in Borrowing £m					14,970	

4.6. **LOBOs:** The Authority holds £125m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS loans had options during the year, none of which were exercised by the lender. The rate of interest on these loans of 4.70% greatly exceeds current PWLB rates making it unlikely that there will be call in the immediate future.

4.7. **LGA Bond Agency:** UK Municipal Bonds Agency (MBA) plc was established in 2014 by the Local Government Association as an alternative to the PWLB with plans to issue bonds on the capital markets and lend the proceeds to local authorities. In early 2016 the Agency declared itself open for business, initially only to English local authorities. The Authority has analysed the potential rewards and risks of borrowing from the MBA although is yet to approve and sign the Municipal Bond Agencies framework agreement which sets out the terms upon which local authorities will borrow, including details of the joint and several guarantee.

5. Debt Rescheduling:

5.1. The PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

¹ Loans with maturities less than 1 year.

Annual Treasury Outturn Report 2015/16

6. Investment Activity

6.1. The Authority has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Details of investments held and realised during 2015/16 are set out below.

6.2. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £'000	Investments Made £'000	Maturities/ Investments Sold £'000	Balance on 31/03/2016 £'000	Avg Rate/Yield (%)
Short term Investments (call accounts, deposits) - Banks & Building Societies with ratings of A- or higher	6,840	132,387	129,227	10,000	0.49
UK Government: - Deposits at Debt Management Office	12,200	706,789	718,989	0	0.25
Money Market Funds	16,190	270,595	279,185	7,600	0.44
TOTAL INVESTMENTS	35,230	1,109,771	1,127,401	17,600	0.32
Increase/ (Decrease) in Investments £m				(17,630)	

6.3. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

6.4. Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A across rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

6.5. The authority will also consider the use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

Annual Treasury Outturn Report 2015/16

7. Credit Risk

7.1 Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2015	3.57	AA-	2.70	AA
30/06/2015	4.39	AA-	5.30	A+
30/09/2015	4.02	AA-	3.55	AA-
31/12/2015	3.33	AA-	3.22	AA-
31/03/2016	2.61	AA	2.33	AA+

8. Counterparty Update

- 8.1. The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.
- 8.2. Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.
- 8.3. Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.
- 8.4. S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank.
- 8.5. At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in

Annual Treasury Outturn Report 2015/16

September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

- 8.6. In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.
- 8.7. In January 2016, Arlingclose supplemented its existing investment advice with a counterparty list of high quality bond issuers, including recommended cash and duration limits. As part of this, Bank Nederlandse Gemeeten was moved to the list of bond issuers from the unsecured bank lending list and assigned an increased recommended duration limit of 5 years.
- 8.8. The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

9. Budgeted Income and Outturn

- 9.1. The average cash balances were £64m during the year. The UK Bank Base Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels. New deposits were made at an average rate of 0.36%. Investments in Money Market Funds generated an average rate of 0.44%.
- 9.2. The Authority's budgeted investment income for the year was £0.136m. The Authority's investment outturn for the year was £0.202m (0.36%).

10. Update on Investments with Icelandic Banks

- 10.1. To date distributions from the failed Icelandic Banks amount to £37.0 million compared with the original deposits of £36.9 million. The government of Iceland have announced a final auction of deposits held in escrow. The Council has

Annual Treasury Outturn Report 2015/16

given notice that it intends to participate in the auction where the remainder of the Council's money that is held in escrow would likely be returned. The final amount that will be paid to the Council will depend on the level of participation in the auction – the more participants that take part, the more favourable the exchange rate will be. It is estimated that the Council will receive between £0.43m and £0.48m. This should bring to a close the Icelandic bank saga and the Council would have recovered all of the principal invested with some interest.

11. Treasury Management Indicators

11.1 Adoption of the CIPFA Treasury Management Code of Practice is one of the Prudential Indicators. The Council originally adopted the Code of Practice in May 2002. Revisions to the Code in 2009 and 2011 have been reflected in updated versions of all policies and procedures. The Council measures and manages its exposures to treasury management risks using the indicators set out in Appendix 1.

12. Prudential Indicators 2015/16

12.1. The Local Government Act 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the indicators that must be set and monitored each year.

12.2. Appendix 1 sets out how the Council has performed against all prudential and treasury indicators.

13. Investment Training

13.1. Members of the Corporate Committee and the Overview and Scrutiny Committee undertook training during January 2016 in advance of approving the 2015-16 treasury management strategy.

Annual Treasury Outturn Report 2015/16

Appendix 1

Summary of Treasury Management Activity and Performance

1. Treasury Portfolio

	Position March 2016 £000	Position December 2015 £000	Position September 2015 £000	Position June 2015 £000
Long Term Borrowing PWLB	158,233	163,600	163,740	165,010
Long Term Borrowing Market	125,000	125,000	125,000	125,000
Total Borrowing	283,233	288,600	288,740	294,065
Investments: Council	17,600	30,903	52,803	63,883
Investments: Icelandic deposits in default	492	1,385	1,385	2,177
Total Investments	18,092	32,288	54,188	66,060
Net Borrowing position	265,141	256,312	234,552	223,950

2. Security measure

	Quarter 4 2015/16	Quarter 3 2015/16	Quarter 2 2015/16	Quarter 1 2015/16
Credit score – Value weighted	2.61	3.33	4.02	4.39
Credit score – Time weighted	2.33	3.22	3.55	5.60

3. Liquidity measure

	Quarter 4 2015/16	Quarter 3 2015/16	Quarter 2 2015/16	Quarter 1 2015/16
Weighted average maturity: deposits (days)	11	16	16.0	12.0
Weighted average maturity: borrowing (years)	31	31	30.2	29.9

4. Yield measure

	Quarter 4 2015/16	Quarter 3 2015/16	Quarter 2 2015/16	Quarter 1 2015/16
Interest rate earned	0.45	0.43	0.46	0.41
Interest rate payable	5.29	5.29	5.29	5.27

Prudential Indicators

Annual Treasury Outturn Report 2015/16

The Prudential indicators are designed to demonstrate the affordability of current and forecast borrowing. There is no 'correct' value in each table and the trend is at least as important as the absolute numbers. Debt is used to finance the capital programme and each decision to incur capital expenditure will consider how it is to be funded.

	Prudential Indicator	2015/16 Original Indicator	Position/Actual at 31/3/2016
CAPITAL INDICATORS			
1	Capital Expenditure	£'000	£'000
	General Fund	54,568	44,571
	HRA	92,074	96,436
	TOTAL	146,642	141,007

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and in particular, to consider the impact on tax and housing rent levels. Capital expenditure is lower than projected, which helps explain the decrease in borrowing.

2	Ratio of financing costs to net revenue stream	2015/16 Original Indicator	Actual as at 31 March 2016
	General Fund	1.90%	1.85%
	HRA	9.28%	9.02%

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

The indicators show that interest costs have used a marginally lower proportion of council income than initially projected.

3	Capital Financing Requirement	2015/16 Original Indicator (£'000)	Actual as at 31 March 2016 (£'000)
	General Fund	297,121	276,919
	HRA	292,666	271,096
	TOTAL	589,787	548,015

The above is the maximum external borrowing requirement representing the remaining cost of capital expenditure. The outturn is less than projected at the start of the year due to most capital projects being funded from sources other than borrowing.

Annual Treasury Outturn Report 2015/16

4	Incremental impact of capital investment decisions	2015/16 Original Indicator (£)	Actual as at 31 March 2016 (£)
	Band D Council Tax	34.03	10.03
	Weekly Housing rents	2.27	0.42

This is an indicator of affordability and shows the impact of capital investment decisions on Council tax and housing rent levels. Both indicators are a little better than originally projected due to lower capital expenditure and more of what was spent being funded from grants, thereby reducing the need for borrowing.

Annual Treasury Outturn Report 2015/16

	Prudential Indicator	2015/16 Original Indicator	2015/16 Position/Actual at 31/3/2015	
TREASURY MANAGEMENT LIMITS				
5	Borrowing Limits	£'000	£'000	
	Authorised Limit	503,532	503,532	
	Operational Boundary	447,867	447,867	
Actual borrowing is considerably lower than the limit set for the year.				
6	HRA Debt Cap	£'000	£'000	
	Headroom	44,235	65,805	
The capacity of HRA to incur additional borrowing has improved due to lack of borrowing to fund capital projects in 2015/16.				
7	Gross debt compared to CFR	£'000	£'000	
	Gross Debt	342,283	357,253	
	CFR	549,387	548,015	
Gross debt is less than previous projections due to use of internal balances to finance capital expenditure.				
8	Upper limit – fixed rate exposure	100%	98%	
	Upper limit – variable rate exposure	40%	2%	
With no new borrowing in the year, the vast majority of debt remains fixed rate.				
9	Maturity structure of borrowing (U: upper, L: lower)	L	U	As at 31 March 2016
	under 12 months	0%	40%	4.10%
	12 months & within 2 years	0%	35%	4.34%
	2 years & within 5 years	0%	35%	10.20%
	5 years & within 10 years	0%	35%	11.24%
	10 yrs & within 20 yrs	0%	35%	4.27%
	20 yrs & within 30 yrs	0%	35%	0%
	30 yrs & within 40 yrs	0%	35%	29.79%
	40 yrs & within 50 yrs	0%	50%	9.57%
	50 yrs & above	0%	50%	26.48%
The maturity profile of debt is shown above. The ranges set have been complied with and there is a spread of maturities.				
	Prudential Indicator	2015/16	2015/16	

Annual Treasury Outturn Report 2015/16

		Original Indicator	Position/Actual at 31/3/2016
10	Sums invested for more than 364 days	£0	£0
11	Adoption of CIPFA Treasury Management Code of Practice	√	√

12 LOBO Adjusted Maturity Structure for Debt			
Maturity structure of borrowing (U: upper, L: lower)	L	U	As at 31st March 2016
under 12 months	0%	55%	48.24%
12 months & within 2 years	0%	40%	4.34%
2 years & within 5 years	0%	40%	10.20%
5 years & within 10 years	0%	35%	11.24%
10 yrs & within 20 yrs	0%	35%	4.27%
20 yrs & within 30 yrs	0%	35%	0%
30 yrs & within 40 yrs	0%	35%	12.14%
40 yrs & within 50 yrs	0%	50%	9.57%
50 yrs & above	0%	50%	0%

The above table restates table 9 showing the earliest date on which the interest rate on LOBO loans can change as well as the maturity date. The impact is to restate approximately 44% of debt previously classified as between 30 years and 50+ years to less than one year. As discussed on , the interest rate on LOBO loans is higher than current rates for new borrowing and as a consequence should the lender try to change the rate, the Council can repay with no penalty and refinance at a considerable interest saving.

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