



## Audit Committee

Notice of a meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane,  
Ashford, Kent TN23 1PL on Tuesday 6<sup>th</sup> December 2011 at 7.00 pm

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The Members of this Committee are:-

Cllr. Clokie (Chairman)  
Cllr. Link (Vice-Chairman)  
Cllrs. Marriott, Sims, Smith, Taylor, Wright, Yeo

**NB: Under the Council's Public Participation Scheme, members of the public can submit a petition to the Executive if the issue is within its terms of reference or ask a question or speak concerning any item contained on this Agenda (Procedure Rule 9 refers)**

## Agenda

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Nos.

1. **Apologies/Substitutes** – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)
2. **Declarations of Interest** - Declarations of Interest under the Code of Conduct adopted by the Council on the 24<sup>th</sup> May 2007 relating to items on this agenda should be made here. The nature as well as the existence of any such interest must also be declared
3. **Minutes** – To approve the Minutes of the Meeting of this Committee held on the 28<sup>th</sup> September 2011

### Part I – For Decision

4. Protecting the Public Purse 2011: Fighting Fraud Against Local Government
5. Risk Management
6. Internal Audit: Six Month Interim Report
7. Annual Audit Letter 2010/11

### Part II – Monitoring/Information Items

8. Annual Governance Statement – Progress on Remedying Exceptions
9. Date of Next Meeting – Tuesday 6<sup>th</sup> March 2012 (previously Tuesday 7<sup>th</sup> February)
10. Report Tracker and Future Meetings

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## Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **28<sup>th</sup> September 2011**

### Present:

Cllr. Clokie (Chairman);  
Cllr. Link (Vice-Chairman);

Cllrs. Mrs Bell, Marriott, Mortimer, Smith.

In accordance with Procedure Rule 1.2 (iii) Councillors Mrs Bell and Mortimer attended as Substitute Members for Councillors Taylor and Sims respectively.

### Apologies:

Cllrs. Sims, Taylor, Wright, Yeo.

### Also Present:

Deputy Chief Executive, Head of Internal Audit Partnership, Audit Partnership Manager, Finance Manager, Principal Accountant, Senior Auditor, Senior Member Services & Scrutiny Support Officer

Andy Mack, Lynn Clayton – Audit Commission.

## 148 Declarations of Interest

Councillor	Interest	Minute No.
Smith	Code of Conduct – Personal but not Prejudicial – He drew and received added years for a Local Government Pension	150

## 149 Minutes

### Resolved:

**That the Minutes of the Meeting of this Committee held on the 27<sup>th</sup> June 2011 be approved and confirmed as a correct record.**

## 150 Statement of Accounts 2010/11 and the District Auditor's Annual Governance Report

The report presented the 2010/11 Statement of Accounts for approval. The District Auditor's Annual Governance Report was also appended. The Chairman called upon Mr Mack to introduce his section of the report.

Mr Mack said that the headlines from his Annual Governance Report were positive and he would be issuing an unqualified opinion on the final accounts. This was clearly a good outcome for the Council. In terms of the Financial Statements, the Council had risen to the challenge and worked hard during the year to respond to the requirements of the new International Financial Reporting Standards (IFRS), had shared information well in advance of year end which enabled review of the work at an early stage, and had produced a good set of papers that had stood up well to scrutiny. Any amendments made had been of a technical nature only and had not altered the reported financial performance. Improvements made last year had continued into this year and congratulations and credit should go to the Officers involved. With regard to the second element of his report, the Value for Money Conclusion, Mr Mack confirmed that he would also be issuing an unqualified opinion. This related to the Council having proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as well as good financial governance and sound arrangements for financial control now and in the medium term. This was particularly pleasing bearing in mind the obvious challenge of tighter reins in the public sector due to the current harsh economic climate.

The Chairman wished to place on record his thanks to Ben Lockwood, Maria Nunn and their staff for the way they had prepared this year's accounts and dealt with the introduction of IFRS. The success of the papers and positive outcome of the audit had been largely down to their hard work and the Committee was very grateful to them.

The Chairman directed the Committee's attention to a tabled paper which explained that the final audit review had highlighted some amendments to the Cash Flow Restatement (and associated notes) and the Financial Instruments note. Revised pages were attached to the paper.

The Committee went through the Statement of Accounts itself section by section and the following comments were made: -

- Officers had encountered difficulties in obtaining reliable information on Housing Revenue Account (HRA) Bad Debt due to a systems problem. As a result they had taken a judgment view and left the position as it was last year, rather than estimating. Therefore, they accepted the Auditor's view that it had been overstated. The Finance Manager said he was confident that the systems problem would be rectified with IT shortly and be fine for next year. The Chairman asked to be kept up to date with this position in future update reports. Regarding Bad Debt in general, when these were written off against a provision, they were kept track of although they were written out of the system.
- The conditions to be met under the accounting code regarding assets for sale had not held up the sale of any Council Houses. These were just about accounting and did not affect valuations or sales.
- PFI liabilities had come back on to the balance sheet last year and there was further explanation to the background of this in last year's report as well as at

Note 29 of this year's Statement. The Finance Manager said he would be happy to speak to Members more about this outside of the meeting should they so wish.

- The tables from page 109 of the Statement would be amended before final publication so that the columns were headed up in thousands.

**Resolved:**

- That
- (i) **the basis upon which the accounts have been prepared (Going Concern) be agreed.**
  - (ii) **the Post Balance Sheet Event be noted.**
  - (iii) **the audited 2010/11 Statement of Accounts be approved.**
  - (iv) **the Chairman of the Committee sign and date the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 as approved by the Council.**
  - (v) **the District Auditor's Annual Governance Report be received and noted.**
  - (vi) **the Chief Financial Officer's Letter of Representation to the District Auditor be approved.**

## **151 Internal Audit Strategic Plan 2011/12 – 2013/14**

The report set out the three year Internal Audit Plan and asked that the Committee consider and approve the plan. The Head of Internal Audit explained that the Plan was prepared using a risk based approach and based on the resources available. It was flexible in the sense that a new audit topic could be added in the future, however this would be subject to the deletion of one of the other planned audits and it was anticipated that this would occur on a reasonably frequent basis over the period of the Plan. The Audit Partnership Manager would be contacting the individual Heads of Service to discuss the plan of audit work and potential amendments.

A Chairman asked if, bearing in mind Ashford's individual circumstances, Section 106 Agreements (including Community Infrastructure Levy) should be audited more regularly than once every three years. The Audit Partnership Manager said that bearing in mind it was happening in year two of this three year plan he would ensure it occurred again in year one of the next plan (i.e. it would happen at two yearly intervals).

**Resolved:**

**That the three-year strategic Internal Audit Plan (shown at Appendix 1 of the report) be approved.**

## **152 Risk Management – Approach and Strategy for Taking Forward Risk Management at Ashford**

The Head of Internal Audit introduced the report which explained that the Council's Annual Governance Statement had highlighted the need for the Council to put improved risk management arrangements in place. The report proposed that he be allocated responsibility for progressing the risk arrangements and included a proposed way forward however, the speed at which some aspects of risk management could be progressed would be affected by the limited resources available. It was an important issue and the approach would be a positive one, but it was also important to be simple and practical and not to create a risk management 'industry'. The Head of Internal Audit explained that the responsibility for ensuring that there were adequate arrangements within the Council for risk management rested with Management Team and the Cabinet. The proposed role for him within the arrangements was to facilitate the risk management process, promote risk management within the organisation and report periodically on the adequacy of the arrangements. The Committee was asked to endorse the proposed approach.

A Member said he was keen that the Committee was involved in the risk management process at the outset rather than later on. It was agreed that the management of the risks themselves should be left to the Officers, but it was considered that the Committee should at least examine what the risks were in the first place and have an input into their prioritisation.

Although at a Member level the Cabinet was responsible for ensuring there were adequate risk management arrangements in place, this Committee reported directly to Council and the Chairman and other Members were keen to retain this independence from the Cabinet in terms of its overview of risk management. The Committee agreed it would set up a small Task Group to examine the Council's current strategic risks and go through the items one by one to add a layer of monitoring. A report on the findings could then go up to Council via the next meeting of the full Audit Committee.

In response to a question the Head of Internal Audit explained that under the terms of the Council's insurance contract with Zurich, the company provided an annual allowance for risk management work which must be 'spent' on Zurich's products. This annual allowance was £10,000. The Council currently had £15,000 in its risk management budget, with a further £10,000 to come at the date of renewal, 1<sup>st</sup> October 2011.

Over the longer term the Committee said they would like to begin receiving update reports on the Risk Register again, perhaps once every six months with a traffic light system illustrating progress. This would help provide an ongoing assurance.

### **Resolved:**

**That the proposed arrangements for risk management be endorsed subject to the following additional points: -**

- (i) A small Task Group of Members be set up to examine the Council's current strategic risks and go through the items one by one to add a layer of monitoring. A report on the findings could then go up to Council via the next meeting of the full Audit Committee.**
- (ii) Over the longer term the Committee would like to begin receiving update reports on the Risk Register, perhaps once every six months with a traffic light system illustrating progress.**

## **153 Annual Governance Statement – Progress on Remediating Exceptions**

The Deputy Chief Executive introduced the report which explained that following approval of the Annual Governance Statement for 2010/11 there were two important areas for review. These were: - the need to refresh the Council's risk management arrangements and the need to review governance principles for partnership working in the light of the developing localism theme. The report outlined the progress on the plans to cover those two areas.

The Chairman said that as the issue of risk management had been discussed as part of the previous agenda item, there was a need for the Committee to decide what it wanted to do with regard to partnership working. An initial set of draft principles was annexed to the report and whilst they would not be an exact science for each individual partnership, they did provide a starting point. The Chairman proposed that a small group of Members be detailed to work with Officers on the development of partnership governance proposals over the autumn period and bring a report back to the Committee in December 2011.

### **Resolved:**

- That**
- (i) the Committee be regularly informed of progress with the review of the Council's risk management approach.**
  - (ii) a small group of Members liaise with Officers on the development of partnership governance principles over the autumn period 2011.**

## **154 Report Tracker and Future Meetings**

Following discussions earlier at the meeting it was confirmed that two further items would be added to the agenda for the next meeting on the 6<sup>th</sup> December, namely: - Feedback on the Strategic Risk Register; and Partnership Governance Proposals.

The Senior Member Services & Scrutiny Support Officer reported that the requested Members briefing from the Investigations & Visiting Team on the Future of Fraud would happen at 6pm on Tuesday 25<sup>th</sup> October (before the Overview & Scrutiny Committee at 7pm). All Members would receive an invite.

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**Resolved:**

**That subject to the comments above, the report be received and noted.**

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**Agenda Item No:** 4  
**Report To:** Audit Committee  
**Date:** 6 December 2011  
**Report Title:** Protecting the Public Purse  
**Report Author:** Brian Parsons, Head of Audit Partnership



**Summary:** The Committee is asked to note the recently published report from the Audit Commission, 'Protecting the Public Purse'; and that a future report will be provided to the Committee setting out the Council's arrangements for fighting fraud.

**Key Decision:** NO

**Affected Wards:** All Wards

**Recommendations:** **The Audit Committee is asked to:-**

**Note the publication by the Audit Commission, 'Protecting the Public Purse' and that a report will be provided to a future meeting of the Committee setting out the Council's arrangements for fighting fraud.**

**Policy Overview:** The Council needs to ensure that it has adequate arrangements in place to prevent, detect and investigate fraud in order to protect the public funds that it is responsible for.

**Financial Implications:** If the risk of fraud is not properly addressed, the financial implications can be substantial.

**Risk Assessment** YES

**Equalities Impact Assessment** NO

**Background Papers:** Audit Commission: Protecting the Public Purse –fighting fraud against local government.

**Contacts:** Brian.parsons@ashford.gov.uk – Tel: (01233 330442)

**Report Title:           Protecting the Public Purse**

**Purpose of the Report**

1.     To allow the Audit Committee to consider the recently published report from the Audit Commission 'Protecting the Public Purse' and to note that a future report will be provided to the Committee setting out the Council's arrangements for fighting fraud.

**Issue to be Decided**

2.     Members are asked to note the Audit Commission publication and that a report will be provided to a future meeting setting out the Council's anti-fraud arrangements.

**Background**

3.     The Audit Commission publishes an annual report on 'Protecting the Public Purse'. The report brings together information compiled by the Commission nationally, relating to fraud against local government. One of the key sources of information is the National Fraud Initiative.
4.     The most recent report was published on 11 November 2011 and shows some worrying trends in terms of fraud, not least the significant increase in staff fraud and the increased value of procurement fraud.
5.     Member's attention is drawn to paragraph 29 of the publication which refers to Ashford as an example of good practice in terms of tackling housing tenancy fraud. This reflects very positively on the work of the Investigation and Visiting team.
6.     The Audit Commission report is provided to enable the Committee to be aware of some of the key fraud areas that are of concern nationally to local government at the present time. The report is shown at Appendix A.
7.     A report will be provided to a future meeting of the Committee setting out the Council's arrangements for managing the risk of fraud and tackling fraud where it exists.

**Risk Assessment**

8.     Some of the risks to financial administration are set out in the Protecting the Public Purse publication. A future report to the Committee will set out how those risks are managed at Ashford.
9.     Where fraud against a local authority occurs, it can have a damaging effect on the credibility of the authority's financial management reputation

## **Equalities Impact Assessment**

10. Not applicable.

## **Other Options Considered**

11. It is appropriate that the Audit Committee, as the Committee charged with governance, has an appreciation of the issues facing local government in terms of the fight against fraud. No other action could be recommended.

## **Implications Assessment**

12. Fraud needs to be addressed in order to protect the Council's financial position.
13. Staff are a key element in the fight against fraud.
14. Fraud and theft are criminal offences and the Council must be geared up to deal with these issues.

## **Conclusion**

15. The Audit Commission's report highlights the relatively high level of fraud and theft against local government at a national level.
16. The Council must ensure that it has effective anti-fraud arrangements in place. A report will be provided to a future meeting of the Audit Committee setting out the Council's arrangements for fighting fraud.

## **Portfolio Holder's Views**

17.

18.

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**Email:** [brian.parsons@ashford.gov.uk](mailto:brian.parsons@ashford.gov.uk)

# Protecting the public purse 2011

Fighting fraud against local government

November 2011



**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.**

**We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.**

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# Summary and recommendations

## Summary

***Protecting the Public Purse 2011 (PPP 2011)* focuses on fighting fraud against local government. We have written it for councillors and senior officers responsible for governance. In addition, government departments, other national organisations and counter-fraud specialists will find this report is relevant to them.**

Fraud is a significant problem. It affects everyone in the UK. In 2011, the National Fraud Authority (NFA) estimated that:

- each year public, private and third sector organisations, as well as individuals, lose over £38 billion to fraud;
- fraud costs every adult in the country £765 a year; and
- fraud against public sector organisations costs £21.2 billion, with fraud against councils costing more than £2 billion a year.

The Audit Commission's 2010/11 survey of fraud against councils and related bodies shows that:

- councils detected more than £185 million worth of fraud, involving 121,000 cases;
- the total value of detected fraud losses for 2010/11 increased by 37 per cent compared with 2009/10, with the number of fraud cases also increasing; and
- councils recovered nearly 1,800 homes from tenancy fraudsters. These homes had a total replacement value of over £266 million.

In *PPP 2011*, we highlight some emerging fraud issues and review councils' progress in tackling the significant risks described in our 2009 and 2010 *PPP* reports. We show that:

- housing tenancy fraud could cost the public purse £900 million each year (NFA estimate);
- councils detected more than £22 million of false claims for student and single person council tax discounts;
- housing and council tax benefits fraud losses accounted for more than half of the total fraud losses detected by councils;

- counter-fraud professionals increasingly recognise abuse of personal budgets in adult social care as a fraud risk for councils; and
- councils detected 145 cases of procurement fraud amounting to £14.6 million.

Councils are having to make reductions in spending. They can make significant savings by reducing fraud. This can help protect frontline jobs and services.

## Recommendations

Councils should:

- ensure they keep the capability to investigate fraud that is not related to housing benefit;
- improve their use of data, information and intelligence to focus their counter-fraud work;
- review their counter-fraud arrangements in the context of the NFA's strategy for local government, *Fighting Fraud Locally*, to be published shortly;
- work with other registered social housing providers to improve the use of civil and criminal action to deter tenancy fraudsters;
- use the Audit Commission's council tax single person discount (SPD) fraud predictor toolkit to assess the potential level of such fraud locally;
- review their performance against the NFA's good practice on tackling housing tenancy fraud and council tax fraud;
- ensure the National Fraud Initiative (NFI) data matches are followed up effectively, including those targeting council tax discount abuse (next data release due in February 2012);
- review personal budgets arrangements to ensure safeguarding and whistleblowing arrangements are proportionate to the fraud risk;
- follow good practice and match the successes of others; and
- use our checklist for those charged with governance (Appendix 1) to review their counter-fraud arrangements.

The Department for Communities and Local Government (DCLG) should consider:

- what arrangements will be required to collect and publish data on detected fraud against local public bodies, after the Audit Commission's abolition;
- collecting and publishing information on properties recovered from tenancy fraudsters by housing associations;
- how best to encourage housing associations to tackle tenancy fraud; and
- with registered social housing providers, how best to use the knowledge and skills of the Chartered Institute of Housing Making Best Use of Stock (MBUS) team (see Paragraph 70).



# Background

## **This chapter provides an overview of the purpose and focus of *PPP 2011*.**

**1** Councils need a culture that supports action against fraud and their counter-fraud specialists need accurate information about levels and types of fraud. They need to know the size and frequency of the fraud risks they face. Good data and information means councils can:

- develop focused plans and strategies for tackling fraud; and
- target resources on areas where prevention and detection can have the most impact.

**2** The Audit Commission's annual fraud survey is still the sole source of evidence about the levels of detected fraud in local government and related bodies. The survey results and our *PPP* publications focus on local government and can help councils and other local public bodies by providing the data and information they need to tackle fraud effectively.

**3** Our reports are designed to help councillors and senior officers responsible for governance in councils and local public bodies, and particularly members of audit committees. The reports are also relevant to the work of government departments, other national organisations and counter-fraud specialists.

**4** *PPP 2011* concentrates on the results of our 2010/11 survey and councils' progress in tackling significant fraud risks highlighted in *PPP 2009* and *PPP 2010*.

**5** Alongside the annual fraud survey, the Audit Commission has run the NFI data-matching exercise every two years since 1996. NFI compares data sets and identifies inconsistencies or circumstances that might suggest fraud or error. Organisations taking part follow up the data matches they receive from NFI. The Audit Commission will publish the results of the NFI 2010/11 exercise in Spring 2012.

# Detected fraud against councils and related bodies

## In this chapter we report our survey results of detected fraud committed against councils and other local public bodies.

**6** In January 2011, the NFA reported that fraud costs the UK more than £38 billion each year. It estimates that fraud against councils cost more than £2 billion a year (Ref. 1).

**7** *PPP 2010* included details of fraud detected by councils and other local public bodies, including police and fire authorities and probation trusts, drawn from our 2009/10 fraud survey.<sup>i</sup> In *PPP 2011* we review changes in the survey results between 2009/10 and 2010/11.

**8** More than 480 public sector organisations responded to our 2010/11 survey (a 99 per cent response rate). The survey results, therefore, provide a comprehensive picture of detected fraud across local government over the last year. These results:

- enable us to report the amount of different types of detected frauds in local government;
- provide information about emerging and changing fraud risks; and
- help identify good practice.

**9** Our 2010/11 fraud survey found the following.

- Local public bodies detected about 121,000 frauds, valued at £185 million (Figure 1). This compares with 119,000 detected frauds valued at £135 million in 2009/10.
- There were about 59,000 housing benefit and council tax benefit fraud cases, resulting in losses of £110 million to the public purse. These fraud cases represent more than half the total value of frauds detected by local public bodies in 2010/11. In 2009/10, there were 63,000 cases with losses of £99 million.
- There were about 56,000 detected council tax discount frauds costing more than £22 million, compared with 48,000 frauds costing £15 million in 2009/10.

<sup>i</sup> In this report, we define fraud as any intentional false representation, including failure to declare information or abuse of position which is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where civil, criminal or management action such as disciplinary action has been taken.

**99%**  
of public sector  
organisations  
responded to  
our 2010/11  
fraud survey

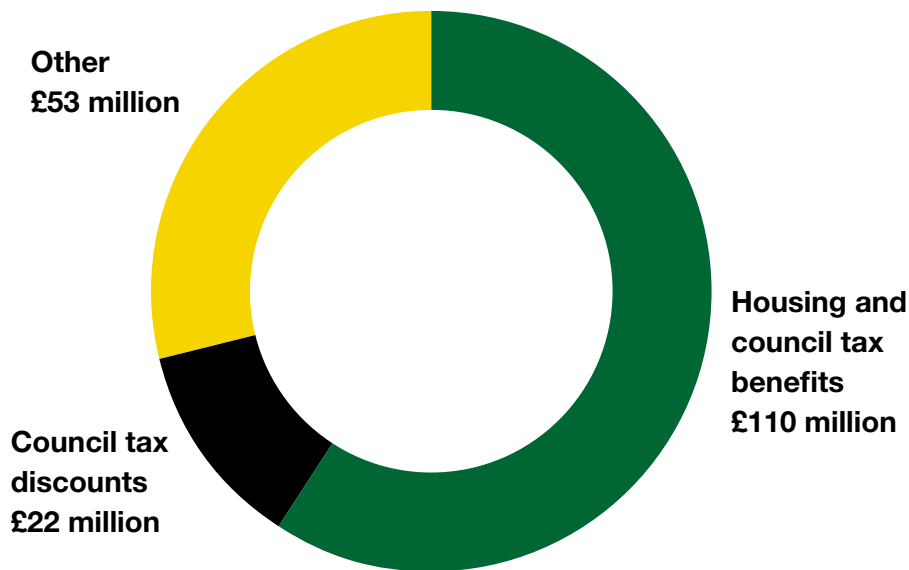
**£185m**  
of fraud was  
detected by  
local public  
bodies,  
according to  
our 2010/11  
survey

- Other frauds totalled around 5,600 and were worth £53 million. This compares with 7,000 other frauds worth £21 million in 2009/10 (See Table 1 for a breakdown and comparison of the six largest fraud types in this category).

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Figure 1: **£185 million of detected fraud 2010/11**

More than half of detected fraud losses relate to housing and council tax benefits.



Source: Audit Commission

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**10** Councils also recovered nearly 1,800 homes, with a total replacement value of over £266 million, from tenancy fraud. This compares with some 1,600 homes recovered in 2009/10, with a replacement value of around £240 million.

**11** In all organisations there is always a risk of fraud by staff. Our surveys show the number of frauds perpetrated by councils' own staff is low. In 2010/11, there were 1,581 cases (1.3 per cent of total cases). But they involved £19.5 million, which represents 10.5 per cent of the total value of detected frauds.

Table 1: **Other frauds against councils (excluding council tax and benefits fraud)**

The six largest fraud types within the other frauds category by value for 2010/11 compared with 2009/10.

Fraud type	Cases 2010/11	Value 2010/11 (£m)	Cases 2009/10	Value 2009/10 (£m)	% change in value
Procurement	145	14.6	165	2.7	+441
Payroll, pensions, expenses	556	5.6	873	3.3	+70
Abuse of position	395	4.3	252	2.0	+115
False insurance claims	149	3.7	72	2.8	+32
Social care	102	2.2	131	1.4	+57
Disabled parking concessions (blue badges)	3,007	1.5	4,097	2.0	-25
<b>TOTAL</b>	<b>4,354</b>	<b>31.9</b>	<b>5,590</b>	<b>14.2</b>	<b>+125</b>

Source: Audit Commission

**12** Detected procurement fraud showed the largest increase in 2010/11, and totalled £14.6million. The number of detected false insurance claims has more than doubled. Values of payroll, pensions, expenses and abuse of position frauds have also increased significantly. This information can help councils to use their counter-fraud resources more effectively.

**13** Table 2 shows the regional breakdown of detected frauds for 2010/11, compared with local government spending in those regions. Table 3 compares the numbers and values of frauds in 2009/10 and 2010/11 by region.

**14** The increase in detected fraud over the past few years does not necessarily mean that fraud locally is getting worse. The figures reflect a combination of factors. These include:

- the level of fraud locally;
- the resources applied to identify and investigate such fraud;
- the successful detection by councils within a region; and
- improved methods of recording fraud.

**15** Most local public bodies have improved fraud detection since the first PPP in 2009. They are also classifying more incidents correctly as fraud rather than error. Our surveys show that councils continue to take tackling fraud seriously and are playing their part in protecting the public purse despite financial pressures.

Table 2: **Detected frauds and losses by region compared with regional spend by councils**

Region	Council spending by region 2010/11 (% of total)	Detected frauds value (% of total)	Detected frauds number of cases (% of total)
East Midlands	7.5	8.4	10.5
East of England	9.7	11.6	13.1
London	21.8	29.3	19.5
North East	5.2	4.7	7.3
North West	13.8	11.5	13.1
South East	13.8	12.1	11.6
South West	8.7	8.2	9.2
West Midlands	10.1	8.1	7.2
Yorkshire and Humber	9.4	6.1	8.5
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Audit Commission

Table 3: **Comparison of detected frauds and losses by region in 2010/11 compared with 2009/10**

Region	2010/11 reported losses (£m)	2009/10 reported losses (£m)	Change (%)	2010/11 reported cases (000)	2009/10 reported cases (000)	Change (%)
East Midlands	15.6	10.1	+ 54	12.6	9.0	+ 40
East of England	21.5	8.8	+ 144	15.9	9.5	+ 67
London	54.2	34.6	+ 57	23.6	22.3	+ 6
North East	8.7	5.0	+ 74	8.9	7.7	+ 16
North West	21.2	17.6	+ 20	15.8	23.3	- 32
South East	22.3	24.0	- 7	13.9	15.0	- 7
South West	15.2	8.2	+ 85	11.1	7.7	+ 44
West Midlands	15.1	12.9	+ 17	8.7	8.3	+ 5
Yorkshire and Humber	11.2	13.4	- 16	10.3	15.9	- 35
<b>TOTAL</b>	<b>185</b>	<b>134.6</b>	<b>+ 37</b>	<b>120.8</b>	<b>118.7</b>	<b>+ 2</b>

Source: Audit Commission

# Key fraud risks

**This chapter sets out the progress made in tackling significant fraud risks highlighted in our 2009 and 2010 reports. We also describe emerging fraud risks identified by our 2011 survey.**

**16** In *PPP 2009* and *PPP 2010* we highlighted the growing risks associated with unauthorised housing tenancies; false claims for council tax discounts; abuse of personal budgets; procurement fraud; and housing benefits fraud. We drew attention to the innovative work that some councils were doing to tackle these frauds (Ref. 2). This section reviews councils' progress since *PPP 2010*.

## Housing tenancy fraud

**17** Housing tenancy fraud is the use of social housing by someone not entitled to occupy that home. It includes:

- the unauthorised subletting of a property for profit to people not allowed to live there under the conditions of the tenancy;
- using false information in a housing application to gain a tenancy; and
- wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant.

**18** There are nearly four million social housing properties in England, with an estimated asset value of more than £180 billion. Over half of all social housing in England is managed by housing associations. In 2010, nearly two million families were waiting for a council house (Ref. 3).

**19** Where councils do not have enough social housing, they place homeless families in temporary accommodation. Nationally, it costs councils on average £18,000 a year for each of the families they place in temporary accommodation (Ref. 4). The total cost to the public purse of housing these families is nearly £1 billion each year. The NFA estimates that social housing fraud costs the public purse at least £900 million each year. This is the single largest category of fraud loss across local government.

**Social housing fraud is the largest category of fraud loss across local government**

**20** In *PPP 2010*, we estimated that it costs around £150,000 to build just one new unit of social housing.

**21** Tackling housing tenancy fraud is one of the most cost-effective means of making social housing properties available to match the demand from those in genuine need. It also reduces the significant financial loss to the public purse caused by this fraud.



**Recovering wrongfully occupied properties frees up homes for those in genuine need.**

**22** In our previous *PPP* publications, we estimated that registered social housing providers may have lost control of the allocation of at least 50,000 social housing properties in England because of housing tenancy fraud. We assumed a 2.5 per cent level of tenancy fraud in London (where the difference between social and private rents is greatest) and 1 per cent in all other parts of the country.<sup>i</sup>

**23** Our *PPP* reports have previously suggested there are moral reasons but few, if any, financial incentives for housing associations to tackle tenancy fraud. Although some housing associations are working successfully with councils to tackle tenancy fraud, this is not yet widespread.

**24** The recent successful application of both civil and criminal legal action to tackle tenancy fraud has the potential to create an important deterrent to this type of fraud. All registered social housing providers should consider, on a case-by-case basis, whether to apply civil and criminal legal action against tenancy fraudsters. Case studies 1 and 2 highlight successful recent actions.

<sup>i</sup> In *PPP 2009*, we noted that no accurate measure of the extent of housing fraud in different parts of the country existed. Housing professionals had told us they thought unlawful subletting could be as high as 5 per cent of the social housing stock in London and other metropolitan areas. The Commission's estimate of housing tenancy fraud is based on a prudent assessment of those views, informed by the data we have collected on proven tenancy frauds.

## Case study 1

### Housing tenancy fraud

#### Use of civil action to recover unlawful profit

Housing officers discovered that a tenant was offering one of the council's homes for rent through a local letting agency. The council was charging about £50 a week rent for the property. The officers visited the address and found the tenant was unlawfully subletting the property to a subtenant. He was charging the subtenant £300 a week rent. The council took civil action against the tenant. The court ordered him to pay £7,000 to the council. This included around £3,000 for unjust enrichment from the unlawful profit made by subletting the property.

*Source: Audit Commission*

## Case study 2

### Housing tenancy fraud

#### Use of the Fraud Act to prosecute tenancy fraud

Acting on information received about a suspected housing benefit fraud, one London council also uncovered a case of housing tenancy fraud. The tenant claimed to be unemployed and living alone in a housing association property. She was actually employed at a school and lived in, and jointly owned, a separate property elsewhere. Interviewed under caution, the tenant admitted unlawfully subletting the housing association property for profit and committing several benefit-related frauds. The tenant pleaded guilty in court to several benefit offences totalling £25,000. The tenant also pleaded guilty to the offence (under Section 3 Fraud Act) of failing to disclose information and subletting the housing association property. The court sentenced the tenant to three months imprisonment, suspended for two years, with a requirement to undertake 150 hours of work in the community. The court also placed a restraining order on the property jointly owned by the tenant. The council and police are pursuing confiscation proceedings.

*Source: Audit Commission*



**25** In 2008/09, we reported that councils recovered nearly 1,000 properties from fraudsters. In 2009/10, almost 1,600 properties were recovered and in 2010/11, councils recovered about 1,800 properties. The vast majority of these properties were recovered by London councils.

**75%**  
more properties  
were recovered  
in 2010/11 than  
in 2008/09

**26** However, the problem of tenancy fraud is not restricted to London. Although the number of properties that councils outside London have recovered has increased in recent years, recovery by councils outside London is still significantly less than half of that achieved in London. More than half the councils outside London with housing stock did not recover any properties from tenancy fraudsters in 2010/11 (see Table 4).

Table 4: **Homes recovered by region**

Numbers of social homes recovered by councils.

Region	2010/11 No. of properties recovered	2009/10 No. of properties recovered	Councils with housing stock recovering at least one property in 2010/11 (%)	Total housing stock 2010/11	Recovered properties as a proportion of total council housing stock (%)
East Midlands	54	10	64	202,973	0.027
East of England	82	12	32	182,007	0.046
London	1,337	1,349	93	437,431	0.306
North East	3	53	29	121,112	0.002
North West	57	86	27	131,588	0.043
South East	56	30	40	166,278	0.034
South West	35	5	46	90,153	0.039
West Midlands	101	6	54	188,251	0.054
Yorkshire and Humber	53	26	43	242,800	0.022
<b>TOTAL</b>	<b>1,778</b>	<b>1,577</b>	<b>51</b>	<b>1,762,593</b>	<b>0.1</b>

Source: Audit Commission

**27** PPP 2009 raised awareness of the problem of housing tenancy fraud. Since then, good practice guidance (Ref. 5) and DCLG funding for councils have helped councils tackle these frauds. The number of properties recovered has increased by more than 75 per cent between

2008/09 and 2010/11. Registered social housing providers, however, still have more opportunities to recover homes from fraudsters, especially outside London where about 75 per cent of all council properties are situated (Ref. 6).

**28** Some councils outside London have shown what specialist fraud investigators can achieve by tackling tenancy fraud:

- Hull City Council recovered 21 properties in 2010/11 (none reported in 2009/10);
- Bristol City Council recovered 22 properties in 2010/11 (none reported in 2009/10);
- Wolverhampton City Council recovered 57 properties in 2010/11 (four reported in 2009/10);
- Basildon Borough Council recovered 12 properties in 2010/11 (none reported in 2009/10);
- City of York Council recovered six properties in 2010/11 (one reported in 2009/10); and
- Bolton Council recovered 19 properties in 2010/11 (three reported in 2009/10).

**29** Some district councils show what they can achieve even with modest resources. In 2010/11, Ashford Borough Council spent £10,000 on an initiative to tackle housing tenancy fraud. This included a whistleblowing campaign and investigation time. In the first six months of this initiative, residents referred 15 suspected cases of tenancy fraud to the Council. The Council recovered eight homes from tenancy fraud, uncovered two housing benefit frauds, one SPD fraud and one housing application fraud.

**30** Some housing associations have also taken action. Gallions Housing Association provides homes for rent and shared ownership in London and the South East. In 2010, it recovered 51 homes from fraudsters after employing a dedicated housing investigator. Before that, it typically recovered about four properties each year.

**31** These organisations have shown a clear commitment to tackling tenancy fraud, making more properties available for those in genuine need. Other registered providers of social housing, especially those outside London, should follow their example.

**32** We believe that publishing information on the number of council properties recovered from tenancy fraudsters has had an impact, when combined with recent government initiatives, in the fight against tenancy fraud. Information on the number of homes recovered by housing associations from tenancy fraudsters is not available at all. The government should consider how it will address this information gap. It also needs to consider how best to encourage housing associations to tackle tenancy fraud.

**Providers of social housing outside of London need to show a clearer commitment to tackling tenancy fraud**

**33** In May 2011, the government set up a team of specialists – the MBUS team – to offer free advice to help registered providers of social housing tackle tenancy fraud. Our survey results show that councils have made significant progress in recent years by working with others to tackle tenancy fraud. However, the scale of loss is such that the government and housing providers should consider what more they could do to quicken the pace of improvement, increase the number of properties recovered and make best use of the knowledge and skills of the MBUS team.

**34** All social housing providers should recognise the problem of tenancy fraud and commit resources to tackling it, using the research on good practice published in 2011 by the NFA. A link to this can be found at the end of this report.

## Council tax fraud

**35** In 2011/12, councils in England will raise about £26 billion from council tax (Ref. 7). Council tax payers can claim various discounts. For example, council tax payers are eligible for an SPD of 25 per cent where they are aged 18 or over and are the only occupier of a household. However, they can also apply for this discount if anyone else living at that address falls into certain categories that allow them not to be counted as ‘other occupiers’. Other discounts include a student discount where a student who is the sole occupier of a property may claim 100 per cent exemption from council tax.

**36** In *PPP 2010*, we drew attention, for the first time, to the potentially significant risk of fraudulent claims for student discount. Council tax student discount fraud could represent a financial loss similar in scale to SPD fraud. Bristol City Council undertook exercises to detect both student and SPD frauds. The Council reviewed a sample of student exemptions. Of the 4,500 cases examined, 1,500 (34 per cent) were fraudulent claims worth £1.9 million. Data matching by the Council, including NFI matches, also identified an extra £1.9 million of SPD fraud.

**37** Other councils have taken action to address council tax fraud, sometimes with unexpected results. In 2010/11, the London Borough of Havering spent £40,000 to target high-risk SPD claimants. Credit reference data helped them save £300,000 and highlighted potential tenancy frauds, leading to the recovery of five properties from unlawful subletters.

**38** Councils have noted a sharp increase in the number of people claiming council tax discounts in recent years and an increasing number of fraudulent applications. In *PPP 2010* we showed that

between 4 and 6 per cent of SPD claims are fraudulent costing taxpayers at least £90 million each year.



**Council tax student discount fraud could represent a financial loss similar in scale to SPD fraud.**

**39** *PPP 2010* provided councils with an online tool to compare recorded levels of SPD with the predicted levels for their area. Councils have used this tool extensively to identify fraud risks. At the request of many councils and professional bodies, we have updated the toolkit this year. A link to this toolkit can be found at the end of this report.

**40** Councils should review their performance against the NFA's good practice guidelines on tackling council tax fraud. The NFA aims to publish the guidelines in December 2011.

## **Personal budgets (direct payments) fraud**

**41** Adult social care currently costs around £16 billion a year in England (Ref. 8). Councils increasingly use personal budgets to manage and deliver adult social care. Personal budgets can help personalise adult social care services – users can decide how to spend the funds available for their care. This increases users' choice and control.

**42** Councils can assign personal budgets to adults in need of social care in various ways, including by direct payments. After a council has assessed a person as needing this care, the council may make a direct payment of funds, usually in advance, to those managing the budget. The council may manage the budget, as can the person receiving the care, independent care providers, a family member, a friend, or a mixture of these.

**43** The number of personal budgets has increased by 55 per cent in the last year alone (Ref. 9). The Department of Health is urging councils to provide personal budgets for everyone eligible for continuing social care, preferably as a direct payment, by April 2013 (Ref. 10). Such a significant change in the way adult social care is delivered, though clearly providing improved choice and control for users, also increases the risk of fraud. It is important that councils adopt a proportionate response, balancing the risk of fraud against the benefits for users that personal budgets provide.



**Social care fraud can hurt the most vulnerable in society.**

**44** Fraud risks include:

- a person falsely claiming that they need care – the risk of this type of fraud is not new, but the access to funds through direct payments is likely to be more attractive to potential fraudsters than traditional care packages;
- fraud by someone managing the personal budget of the person in need; and
- fraud by an organisation or someone providing care to the person in need.

**45** In *PPP 2010*, we recognised that financial abuse of personal budgets is difficult to detect and prove. Our 2010/11 survey shows that counter-fraud professionals consider the fraud risks associated with personal budgets as significant. Councils have reported 102 cases of proven social care fraud to us this year. They involved over £2.2 million of loss to the public purse – an average of over £21,000 for each case.

**46** Public Concern at Work, the whistleblowing charity, reports that, historically, the single largest proportion of referrals received by their hotline is from the care sector. They account for 15 per cent

of all concerns raised (Ref. 11). Concerns about financial abuse in all its forms account for six in every 100 calls from the care sector. Information on whistleblowing good practice can be found by following the link at the end of this report.

**47** Enfield Council has reduced the risk of personal budget fraud. In 2010, it created a team whose remit includes safeguarding the finances of those with some form of personal budget. The Council states that financial abuse is now the most common abuse reported to them. It has put in place processes to detect and respond to concerns raised.

**48** Other councils have also taken action to raise staff and public awareness about the potential impact of financial abuse, resulting in some significant early successes. As part of the response to an initial public referral of a concern about personal budget fraud, Croydon Council undertook fraud awareness training for social services staff. As a result, care workers referred ten more cases with a value of nearly £300,000. Case study 3 highlights one case where the Council took legal action. Of the remainder of cases, half are subject to court proceedings or further investigation for fraud. These cases show why early intervention is important and how heightened fraud risk awareness can identify savings to the public purse.

### Case study 3

#### Direct payments fraud

##### **Son diverted direct payments intended to pay for care of elderly mother**

In March 2011, the court found a man guilty of two counts of fraud and sentenced him to 20 weeks imprisonment for defrauding the public purse of over £12,000. In what the judge described as a 'very serious matter', the man had fraudulently diverted the money received from the council by direct payments. The payments were to provide a carer for the fraudster's elderly mother. Council investigators proved the fraudster had diverted the money instead for his own purposes.

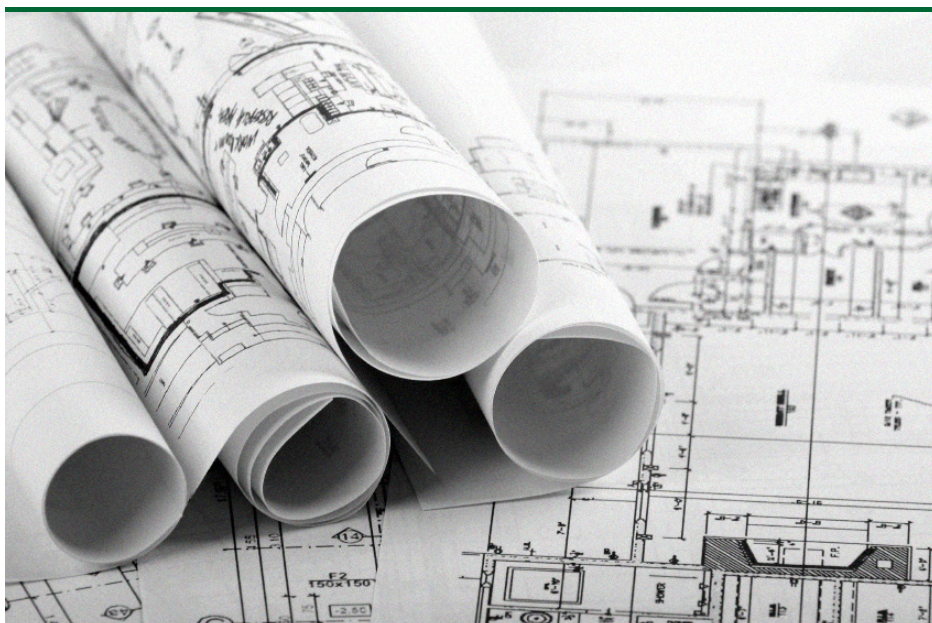
*Source: Audit Commission*

**49** Personal budget fraud can have a potentially damaging impact on the health, safety and wellbeing of those receiving care, as well as representing a financial loss to the public purse. When internal audit, finance and care staff work together, supported by effective whistleblowing arrangements, it can help to reduce this risk of fraud.

**50** Councils should consider reviewing the fraud risks associated with personal budgets to ensure safeguarding and whistleblowing arrangements are proportionate to the fraud risk.

## Procurement fraud

**51** Councils spend over £50 billion each year, buying goods and services from suppliers and funding major construction projects (Ref. 12). Fraud may occur at any stage in the procurement cycle, from the first business case to the award and management of the contract. External providers or internal parties can carry out procurement fraud which may take various forms.



**Procurement fraud can result in huge one-off losses.**

**52** The key areas of external fraudulent activity include:

- cartels involving collusion among some bidders to agree that they will not bid competitively for a particular contract;
- applicants tendering, but not in accordance with contract specifications, and then submitting false claims for extra costs under the contract;
- contractors providing inferior goods or services;
- contractors intentionally overriding minimum statutory pay and health and safety regulations for financial gain;
- contractors presenting false invoices; and
- contractors providing inflated performance information to attract greater payments than are due.

**53** The NFA estimates that procurement fraud costs councils about £855 million a year (Ref. 13). It believes that councils need to do more to obtain accurate figures on this fraud. The NFA is working on a new way of quantifying these losses.

**54** Our 2010/11 survey found that councils had detected 145 cases of procurement fraud involving losses of £14.6 million, an increase of over 400 per cent in value compared with 2009/10. Losses in individual cases can be large. The total value of just two cases in 2010/11 amounted to £6 million. Councils should continue to treat procurement fraud as high risk, with significant potential financial impact.

## **Housing and council tax benefit (HB/CTB) fraud**

**55** In 2010, councils in England paid out over £21.5 billion of HB/CTB (Ref. 14). The NFA reports that housing benefit fraud losses (excluding council tax benefit) in the UK are about £260 million each year (Ref. 15).

**56** The Audit Commission's fraud surveys show there are more detected HB/CTB fraud cases than any other type of fraud against councils. For the three years covered by our surveys (2008/09, 2009/10 and 2010/11), councils have detected almost 210,000 cases of HB/CTB fraud worth more than £310 million.

**57** In 2010/11, there were 59,000 cases of HB/CTB fraud, which represents almost half the total number of frauds detected by councils. The total value of HB/CTB frauds detected was £110 million – an average of nearly £1,900 for each case. There has been a 6 per cent drop in the number of detected cases since 2009/10, but an 11 per cent increase in the value of detected losses.

**58** The government is proposing major welfare reforms which include localising council tax support and the transition to Universal Credit – due to start in 2013. The changes will have a significant impact on councils' benefit services. The government also proposes to set up a single fraud investigation service (SFIS). At this stage, the government has not decided on the organisational design or geographical structure of the service. However, the government intends that councils' housing benefit fraud investigators become part of the SFIS when it is formed in 2013.

**59** Many district and smaller unitary councils have a benefit fraud investigative capability that they also use to combat other frauds. When the switch to the SFIS is made, it will be important for these councils to ensure they retain the capability to investigate fraud unrelated to housing benefit.

**60** DCLG's ten-point plan for countering fraud (see Paragraph 69), published in 2011, advises councils to keep their fraud investigation teams. Councils' performance in detecting HB/CTB fraud over the last three years shows the significant contribution that counter-fraud specialists make in the fight against such fraud. Councils will need

**£310m**  
of housing and  
council tax  
benefit fraud  
was detected in  
the last three  
years by  
councils



to review their counter-fraud capability in the light of the proposed changes and published good practice.

**61** The Audit Commission has collected information on detected fraud in local government for over 20 years. We have, therefore, been able to track the positive impact that increased council investigative capability has had on the amount of detected fraud. The mid-1990s saw increasing professionalisation and training of council benefit fraud investigation teams, combined with financial incentives to detect such fraud. One of the added benefits of this approach has been an increased capability to investigate non-benefit-related frauds. In 1994/95, these accounted for about 13 per cent of all fraud detected by councils. By 2010/11, this had risen to more than 40 per cent. This highlights why councils must keep an effective professional counter-fraud capability.



**Counter-fraud capabilities are key to detecting fraud in local government.**

## Emerging fraud risks

**62** Our surveys collect the opinions of counter-fraud and senior finance officers on emerging fraud risks. Councils reported the following significant risks in 2010/11:

- the expansion of personal budgets in social services;
- the impact of the current economic climate putting more pressure on individuals' finances and tempting people to commit fraud;
- reduced staff numbers, which may weaken councils' internal controls; and
- fraudsters abusing the expenditure information that councils are now asked to publish, in order to defraud local public bodies

**63** Criminals, including some based outside the UK, have targeted councils and other public organisations in an attempt to redirect

payments intended for legitimate creditors such as large construction companies. The fraudsters have sent letters to council finance teams that appear legitimate and often follow them up with phone calls to chase payments. The fraudsters gather the details about key creditors from the information that councils now publish on their websites. In our 2010/11 survey, councils reported several detected frauds of this type amounting to some £7 million.

**64** Local public bodies have become increasingly successful at preventing these frauds by applying sound internal controls (see Case study 4). They have prevented about £20 million of such attempted fraud. Fraud warnings, such as those issued by the National Anti-Fraud Network, have helped raise awareness of the risks. However, fraudsters continue to target local public bodies.

#### Case study 4

### Change of bank details fraud

#### Checks prevented money being paid into a false bank account

A fraudster tried to get a public sector organisation to change the details it held for a supplier. The fraudster, claiming to be an employee of the supplier, asked for the supplier's bank account details to be changed to a false account set up by the fraudster. The fraudster used published information – namely a supplier invoice – to confirm the authenticity of the request. However, the public body was aware of similar frauds and had put in place suitable checks. As a result, a payment of £5 million to the false bank account was stopped.

*Source: Audit Commission*

# Conclusions and good practice

## **This chapter provides examples of good practice and advice that local public bodies could follow to preserve an effective counter-fraud response.**

**65** Local public bodies should remain alive to, and continue to tackle, the threat of fraud to the public purse. Organisations can make large savings as the best councils show. Reducing fraud can make an important difference to local finances.

**66** All public organisations need to play their part in the fight against fraud. Telling local public bodies about good practice is an essential prerequisite to ensuring that it is adopted. However, it is for local public bodies to act upon it. In the following paragraphs, therefore, we draw attention to good counter-fraud work that councils may wish to consider in tackling fraud against the public sector.

### **Support and advice from government**

**67** The government set up the Taskforce on Fraud, Error and Debt in October 2010 to develop a new approach to tackling public sector fraud. In its first report in June 2011, the taskforce highlighted four priorities for tackling public sector fraud.

- **Collaboration:** public organisations need to remove any barriers to joint working. All parts of the public sector must work together to tackle fraud. They must share information on fraudsters, develop cross-cutting skills, undertake joint projects and use data matching and analytical information more effectively and efficiently.
- **Risk assessment and measuring losses:** public organisations must assess the risk of fraud before they launch projects and programmes. They must record and report fraud losses often.
- **Prevention:** public organisations must invest in and properly resource fraud prevention. For example, the current approach of ‘pay first, check later’ must change. When an organisation finds its systems are vulnerable to fraud they must change them.
- **A zero-tolerance culture towards fraud:** there is no acceptable level of fraud against the public purse.

**68** Taken together, these priorities will help to improve fraud prevention, deterrence and detection. The Taskforce has started to encourage public organisations to collaborate in the fight against fraud.

Councils have an important role to play in tackling fraud across the whole public sector.

**69** In April 2011 DCLG published a ten-point plan for tackling fraud against local government. The plan draws on our *PPP 2009* and *PPP 2010* reports. Councils should compare their arrangements for tackling fraud with this plan, shown below. Organisations can access the national counter-fraud standards developed by CIPFA and referred to by DCLG in the ten-point plan, through the link at the end of this report.

### **DCLG's ten actions to tackle fraud against councils**

- 1** Measure exposure to fraud risk.
- 2** More aggressively pursue a preventative strategy.
- 3** Make better use of data analytics and credit reference agency checks to prevent fraud.
- 4** Adopt tried and tested methods for tackling fraud in risk areas – such as blue badge scheme misuse.
- 5** Follow best practice to drive down Housing Tenancy and Single Person Discount fraud.
- 6** Pay particular attention to high risk areas such as procurement and grant awards.
- 7** Work in partnership with service providers to tackle organised fraud across local services.
- 8** Maintain specialist fraud investigative teams.
- 9** Vet staff to a high standard to stop organised criminals infiltrating key departments.
- 10** Implement national counter fraud standards developed by CIPFA.

*Source: DCLG*

**70** The MBUS team, which DCLG funds in the Policy and Practice Directorate of the Chartered Institute of Housing, can help housing providers tackle housing tenancy fraud. The team of experts aims to share good practice across the country and help housing organisations develop strategies to meet housing need better (including tackling tenancy fraud) at no cost to organisations. For more details visit the website by following the link at the end of this report.

**71** The NFA is coordinating the publication of the first national strategy to tackle fraud against local government (*Fighting Fraud Locally*), due to be published in December 2011. It will provide a

framework for councils and other local public bodies to contribute to a national approach to reduce the harm caused by fraudsters.

### **Support and advice from professional bodies**

**72** The Bribery Act came into force in July 2011. There are four key offences under the Act:

- bribery of another person;
- accepting a bribe;
- bribing a foreign official; and
- failing to prevent bribery.

**73** The offences carry criminal penalties for individuals and organisations. For individuals, the courts can impose a maximum prison sentence of ten years and/or an unlimited fine. For organisations, courts can impose unlimited fines. Councils should review their anti-bribery policy and procedures and ensure they are robust enough to prevent bribery and to reduce the risk of any staff or councillor committing a bribery offence. CIPFA has produced guidance that can help councils and their audit committees.

### **Examples of good practice by other public sector bodies**

**74** Devon and Cornwall Police Authority introduced continuous audit of its payroll about six years ago. Continuous audit is the application of automated checks, designed to verify that the organisation is correctly processing financial and non-financial data and that internal control is working effectively. The potential to confirm information and to check for errors or fraud in real time provides the ‘continuous’ aspect of the audit. This improves the organisation’s ability to provide greater assurance to auditors and members of their Corporate Governance Committee as well as preventing and detecting fraud and error. Organisations that have developed a strong continuous audit culture usually start with key, business-critical systems.

**75** Devon and Cornwall Police Authority’s payroll costs typically account for around 80 per cent of the Authority’s budget. When the Authority implemented a new financial system, internal auditors implemented continuous audit. This provides monthly assurance over payroll costs. The total value of transactions – that is, all payroll payments and deductions – checked each month is £25 million.

**76** The process is cost-effective (taking, typically, one day each month – sometimes less) enabling auditors to focus their investigations on significant items rather than using random data samples. For example, in one month, auditors noted an unexpected fall of around £100,000 in payments of National Insurance contributions. Although this turned out to be an error in a linked finance system and not an indicator of fraud, the payroll team was able to correct the error before payment was made.

**77** Increasingly, councils are working together to share information and good practice. Internal audit professionals in six London councils (Barking and Dagenham, Havering, Newham, Redbridge, Tower Hamlets and Waltham Forest) have joined forces in several counter-fraud initiatives, and have pooled resources to achieve greater impact.

**78** This has alerted members to emerging trends and helped them set up effective training programmes. The group has also invested in a secure web application that makes sharing counter-fraud intelligence accessible, manageable and safe.

### **Support and advice from the Audit Commission**

**79** In *PPP 2009*, we provided a checklist for those responsible for governance. Audit committee members have told us how they have used the checklist to assess the effectiveness of their governance arrangements. We updated the checklist in 2010 and have done so again in this report. You can find it in Appendix 1.

**80** The Audit Commission published its first counter-fraud and corruption manual in 1995 (Ref. 16). It aimed to help auditors assess a public sector body's arrangements for tackling financial misconduct, fraud and corruption. The manual provided:

- guidance on the review of counter-fraud and corruption arrangements;
- advice on undertaking reviews of arrangements in specific areas of risk; and
- links to more information, for example from legal advisers.

**81** We are working to update the manual, which we will make available for use in 2012.

**82** We have also developed a series of short leaflets for schools and parish councils where size, complexity or limited numbers of staff may mean that effective internal control is difficult (see Case study 5). Follow the links at the end of this report to find them. We are working with the Charity Commission on a similar leaflet for charities, to be published in 2012.

## Parish council fraud

### Clerk abused trust and stole from parish council

A parish clerk pleaded guilty to stealing almost £63,000 from four parish councils and a community project charity that employed her. The clerk forged signatures, altered cheques, and made unauthorised payments to herself and her family. In sentencing the clerk to 18 months in jail the judge said, 'It really was a quite dreadful breach of trust.'

The chair of one of the parish councils said, 'We have had to take out a £30,000 loan as a result of her leaving us practically bankrupt.'

Another said, 'She had a good name and this was not the sort of thing you would expect to happen.'

*Source: Audit Commission*

**83** For more than 15 years, the Audit Commission's NFI has successfully combined data from the public and private sectors across the UK to detect fraud, overpayments and errors totalling £750 million. The matches provided by NFI help councils detect a wide range of frauds. The Commission will publish the results of the NFI 2010/11 exercise in Spring 2012.

**84** We are working with the Taskforce on Fraud, Error and Debt to make the most of the benefits NFI can deliver. For example, the NFI launched its first real-time data-matching service in September 2011. This will help improve fraud prevention and renew the increasingly important fight against fraud.

## Next steps

**85** In August 2010, the government announced its plan to abolish the Audit Commission. Until its abolition, the Commission will continue to promote good governance and financial management in the public sector.

**86** The Audit Commission believes publishing detected fraud data helps improve public knowledge and understanding of councils' performance in the fight against fraud. Such information also supports the government's transparency and localism agenda.

**87** Our *PPP* reports and publication of our survey results have encouraged councils to focus their counter-fraud activities on the areas of greatest risk. The Audit Commission's annual fraud survey is currently the only national source of information on the performance of local public bodies in the fight against fraud.

**88** Given the importance of this data, the Audit Commission remains committed to collect and publish data on detected fraud against local bodies every year until it is abolished. The government needs to consider what arrangements will be required to collect and publish this data thereafter.

**89** As well as the annual fraud survey, we gather intelligence on fraud and corruption in several ways. For example, we require external auditors of councils and other local public bodies to report to the Audit Commission all frauds over £10,000 and all incidents of corruption in the bodies they audit. This means we can track, analyse and spread information on emerging areas of fraud risk and alert counter-fraud professionals.

**90** The government is planning a similar 'early warning system' for central government departments. DCLG should consider which organisation should take on this important role for local public bodies in future.



# Appendix 1: Checklist for those responsible for governance

## Checklist

General	Yes	No
<b>1</b> Do we have a zero-tolerance policy towards fraud?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>2</b> Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i> ?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>3</b> Do we have dedicated counter-fraud staff?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>4</b> Do counter-fraud staff review all the work of our organisation?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>5</b> Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		

General	Yes	No
<b>6</b> Have we assessed our management of counter-fraud work against good practice?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>7</b> Do we raise awareness of fraud risks?		
<b>a.</b> With new staff (including agency staff)?	<input type="radio"/>	<input type="radio"/>
<b>b.</b> With existing staff?	<input type="radio"/>	<input type="radio"/>
<b>c.</b> With elected members?	<input type="radio"/>	<input type="radio"/>
<b>d.</b> With our contractors?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>8</b> Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>9</b> Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		

General	Yes	No
<b>10</b> Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>11</b> Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on the matches investigated?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>12</b> Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>13</b> Do we have effective whistleblowing arrangements?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>14</b> Do we have effective fidelity insurance arrangements?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		

Fighting fraud with reduced resources		Yes	No
<b>15</b>	Have we reassessed our fraud risks since the change in the financial climate?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>			
<b>16</b>	Have we amended our counter-fraud action plan as a result?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>			
<b>17</b>	Have we reallocated staff as a result?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>			

Current risks and issues		Yes	No
<b>Housing tenancy</b>			
<b>18</b>	Do we take proper action to ensure that we only allocate social housing to those who are eligible?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>			
<b>19</b>	Do we ensure that social housing is occupied by those to whom it is allocated?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>			

Current risks and issues	Yes	No
<b>Procurement</b>		
<b>20</b> Are we satisfied our procurement controls are working as intended?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>21</b> Have we reviewed our contract-letting procedures since the investigations by the Office of Fair Trading into cartels and compared them with best practice?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		
<b>Recruitment</b>		
<b>22</b> Are we satisfied our recruitment procedures achieve the following?		
<b>a.</b> Do they prevent us employing people working under false identities?	<input type="radio"/>	<input type="radio"/>
<b>b.</b> Do they confirm employment references effectively?	<input type="radio"/>	<input type="radio"/>
<b>c.</b> Do they ensure applicants are eligible to work in the UK?	<input type="radio"/>	<input type="radio"/>
<b>d.</b> Do they require agencies supplying us with staff to undertake the checks that we require?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		

Current risks and issues	Yes	No
<b>Personal budgets</b>		
<p><b>23</b> Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?</p>	<input type="radio"/>	<input type="radio"/>
<p><b>Comments</b></p>		
<p><b>24</b> Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?</p>	<input type="radio"/>	<input type="radio"/>
<p><b>Comments</b></p>		
<b>Council tax</b>		
<p><b>25</b> Are we effectively controlling the discounts and allowances we give to council taxpayers?</p>	<input type="radio"/>	<input type="radio"/>
<p><b>Comments</b></p>		

Current risks and issues	Yes	No
<b>Housing and council tax benefits</b>		
<b>26</b> When we tackle housing and council tax benefit fraud do we make full use of the following?		
a. National Fraud Initiative?	<input type="radio"/>	<input type="radio"/>
b. Department for Work and Pensions Housing Benefit matching service?	<input type="radio"/>	<input type="radio"/>
c. Internal data matching?	<input type="radio"/>	<input type="radio"/>
d. Private sector data matching?	<input type="radio"/>	<input type="radio"/>
<b>Comments</b>		

# References

- 1 National Fraud Authority, *Annual Fraud Indicator*, January 2011
- 2 Audit Commission, *Protecting the Public Purse 2010*, October 2010
- 3 Department for Communities and Local Government, *Housing Strategy Statistical Appendix Table 600*, November 2010
- 4 Audit Commission, *Protecting the Public Purse 2010*, October 2010
- 5 Department for Communities and Local Government, *Tackling Unlawful Tenancies and Occupancy: Good Practice Guidance for Social Landlords*, November 2009
- 6 Department for Communities and Local Government, *Housing Statistics Table 100*, November 2010
- 7 Department for Communities and Local Government, *Statistical Release Local Authority Expenditure and Financing England 2010/11 Budget (Revised)*, February 2011
- 8 Health and Social Care Information Centre, *Personal Social Services Expenditure and Unit Costs England, 2008/09*
- 9 Audit Commission, *Improving Value for Money in Adult Social Care*, June 2011
- 10 Department of Health, *A Vision for Adult Social Care*, November 2010
- 11 Public Concern at Work, *Speaking Up for Vulnerable Adults: What the Whistleblowers Say*, April 2011
- 12 Local Government Group, *Procurement, Capital and Shared Assets Productivity Workstream*, October 2010
- 13 National Fraud Authority, *Annual Fraud Indicator*, January 2011
- 14 Department for Work and Pensions, *Housing Benefit and Council Tax Benefit by Local Authority District 1996/97 to 2009/10*, December 2010
- 15 National Fraud Authority, *Annual Fraud Indicator*, January 2011
- 16 Audit Commission, *Counter Fraud and Corruption Manual*, 1995



# Additional reading

- 1 CIPFA Counter-Fraud Standards [Managing the risk of fraud – actions to counter fraud and corruption – Red Book](#)
  
- 2 Public Concern at Work [www.pcaw.org.uk](http://www.pcaw.org.uk)
  
- 3 National Fraud Authority: Good practice publication  
[www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/](http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/)
  
- 4 Audit Commission
  - Fraud Risks in Parish and Town Councils - Advice for Councillors  
[www.audit-commission.gov.uk/PPP2011parishguide](http://www.audit-commission.gov.uk/PPP2011parishguide)
  - Fraud Risks in Schools Advice for School Governors  
[www.audit-commission.gov.uk/PPP2011schoolsguide](http://www.audit-commission.gov.uk/PPP2011schoolsguide)
  - Single Person Discount on Council Tax: Predictor Tool  
[www.audit-commission.gov.uk/PPP2011SPDpredictor](http://www.audit-commission.gov.uk/PPP2011SPDpredictor)
  
- 5 Chartered Institute of Housing, Making Best Use of Stock team  
[www.cih.org/bestuseofstock](http://www.cih.org/bestuseofstock)
  
- 6 Office of Fair Trading guidance on cartels  
[www.oft.gov.uk/OFTwork/competition-act-and-cartels/ca98/decisions/bid\\_rigging\\_construction](http://www.oft.gov.uk/OFTwork/competition-act-and-cartels/ca98/decisions/bid_rigging_construction)

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We welcome your feedback. If you have any comments on this report, are intending to implement any of the recommendations, or are planning to follow up any of the case studies, please email: [nationalstudies@audit-commission.gov.uk](mailto:nationalstudies@audit-commission.gov.uk)

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**Agenda Item No:** 5  
**Report To:** Audit Committee  
**Date:** 6 December 2011  
**Report Title:** Risk Management  
**Report Author:** Brian Parsons, Head of Audit Partnership.



**Summary:** The Audit Committee received a report on 28 September 2011 which set out an approach and strategy for risk management. The Committee accepted the proposals and set up a Task Group to agree the areas of risk to be covered, the format of presentation and the time table. The task force met on 18 November and agreed that there is a need to move quickly to create an up-to-date, comprehensive strategic risk register. A report has therefore been placed on the agenda for the Cabinet meeting on 8 December seeking approval to commence the process.

**Key Decision:** NO

**Affected Wards:** All

**Recommendations:** **The Audit Committee is asked to:-**

**Endorse the actions that have been set in train by the Risk Management Task Group.**

**Policy Overview:** An effective risk management process is a vital element of the Council's governance arrangements.

**Financial Implications:** The direct cost of creating the strategic risk register will be met from the Council's allowance from Zurich (the Council's insurers). There are no other direct costs. The implication more generally is that an effective risk management process will assist the financial management of the Authority.

**Risk Assessment** YES

**Equalities Impact Assessment** NO

**Other Material Implications:** None

**Background Papers:** Report to Audit Committee 28 September 2011 – Approach and Strategy for Taking Forward Risk Management.

**Contacts:** Brian.parsons@ashford.gov.uk – Tel: (01233 330442)

## **Report Title: Risk Management**

### **Purpose of the Report**

1. To seek the Committee's endorsement to the actions that have been set in train by the Risk Management Task Group; commencing with the creation of a new Strategic Risk Register.
2. A report has been placed on the agenda for the Cabinet meeting on 8 December 2011. Approval by Cabinet will allow arrangements to be put in place to utilise the Council's relationship with its insurers, Zurich, to create a strategic risk register through a process of one-to-one meetings with senior officers and members and a 'risk workshop'.

### **Issue to be Decided**

3. The Audit Committee is asked to endorse the action of the Task Group, most specifically the proposal to Cabinet to utilise Zurich to assist in the process of creating a strategic risk register for the Council.

### **Background**

4. The prime responsibility for managing the risks to the delivery of the Council's strategic and operational objectives rests with Management Team and Cabinet. The Audit Committee's role is to consider/monitor or advise the Council as appropriate on the effective development and operation of risk management.
5. The Audit Committee meeting on 28 September 2011 received a report from the Head of Audit Partnership titled 'Approach and Strategy for Taking Forward Risk Management at Ashford'. The report set out the background to the arrangements for business risk management and proposed a number of actions as follows:
  - Review and update of the Risk Strategy
  - Creation of a Strategic Risk Register (including the identification of the risks to the delivery of the five year Business Plan)
  - Promotion of operational (service) risk registers for inclusion in service plans.
  - Promotion of project risk arrangements
  - Training for senior managers, unit managers and Members
  - Raising awareness of risk management as a key management competency
  - Creating a 'risk management toolkit' to be placed on the Intranet
  - Annual report to Audit Committee on risk management
  - Regular liaison between the Head of Audit Partnership and the Council's Insurance Officer to ensure that the best use is made of the risk management budget.
  - The use of the risk registers to assist the audit planning process.

6. The Committee agreed the proposed approach and additionally resolved to set up a small Task Group to examine the Council's current strategic risks and go through the items one by one to add a layer of monitoring.
7. The Task Group met on the 18<sup>th</sup> November and agreed that there is a need to move quite quickly to create an up-to-date, comprehensive strategic risk register. This would involve a series of one-to-one meetings with senior management and members and a risk workshop which would include Management Team and representatives from Cabinet and from the Audit Committee.
8. The interviews and the risk workshop would be facilitated by Zurich Management Services, and would be funded from the allowance that the Council receives from Zurich under the terms of its insurance contract.
9. It is suggested that the interviews and the risk workshop could take place at the end of January 2012; with the strategic risk register and the necessary management action plans in place by the end of March.
10. It is proposed that the meeting of the Audit Committee which is currently scheduled for 7 February 2012, will be put back to March (date to be agreed) to allow a report to be provided to the Committee setting out the risk register and action plans.

### **Risk Assessment**

11. The proposal to Cabinet is based on the need to put a meaningful and contemporary risk management processes in place.

### **Equalities Impact Assessment**

12. Not applicable.

### **Other Options Considered**

13. The Council currently needs to improve its arrangements for risk management. This was recognised in the Annual Governance Statement which supported the accounts for 2010/11.
14. It is essential that proper risk management arrangements are in place to ensure that the risks to the delivery of the Council's strategic and service objectives are identified and action is taken to manage them.

### **Consultation**

15. The proposed arrangements for risk management were considered by the Audit Committee meeting on 28 September 2011.

## **Implications Assessment**

16. An effective risk management process is a vital element of the Council's governance arrangements.
17. The cost of using Zurich to assist in the creation of a strategic risk register will be met from the annual 'allowance' provided by Zurich for risk management activities. There are no other direct costs for the Council.

## **Handling**

18. When the strategic risk register has been compiled it will be reported to Cabinet.
19. The completed register and accompanying action plans will be reported to the meeting of the Audit Committee in March 2012.

## **Conclusion**

20. The Council needs to implement effective and comprehensive risk management arrangements. The endorsement by Cabinet will allow work to commence on the creation of an up-to-date strategic risk register. The Audit Committee will be able to review the position at its meeting in March 2012.

## **Portfolio Holder's Views**

21. The Annual Governance Statement last year pointed out the need for an up-to-date Risk Register. Since then, as the Minister, Bob Neil, noted during his recent visit to the Council, the current financial situation is such that Local Authorities need to be much less risk averse if they are to take full advantage of the opportunities to develop offered to them under Localism. Clearly, to do this we need to keep a comprehensive list of potential risks and how best we can cope should the worst happen.

**Contact:** Brian Parsons: Head of Audit Partnership (01233 330442)

**Email:** [brian.parsons@ashford.gov.uk](mailto:brian.parsons@ashford.gov.uk)

**Agenda Item No:** 6  
**Report To:** Audit Committee  
**Date:** 6 December 2011  
**Report Title:** Internal Audit: Six-month interim report  
**Report Author:** Brian Parsons, Head of Audit Partnership



**Summary:** The report provides details of the work of the Internal Audit Team between April and September 2011. The Audit Committee is asked to agree that the work provides continuing evidence of an adequate and effective audit service.

**Key Decision:** NO

**Affected Wards:** All Wards

**Recommendations:** **The Audit Committee is asked to agree: that the report continues to provide evidence of an effective internal audit arrangement, and that management is taking the necessary action to implement audit recommendations**

**Policy Overview:** The audit process helps to ensure that the risks to the delivery of strategic and operational objectives are managed by having adequate controls in place.

**Financial Implications:** There are no direct financial implications.

**Risk Assessment** YES

**Equalities Impact Assessment** NO

**Other Material Implications:** Legal: Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2011.

**Background Papers:** The various audit reports referred to in the appendices.

**Contacts:** Brian.parsons@ashford.gov.uk – Tel: (01233 330442)



## **Report Title: Internal Audit: Six-month interim report**

### **Purpose of the Report**

1. The report is intended to inform the Committee of the work of the Internal Audit team during the first half of the financial year and provide further evidence of an adequate and effective internal audit service.

### **Issue to be Decided**

2. The Committee is asked to agree that the work of the Internal Audit team (shown at Appendix A) provides continuing evidence of an adequate and effective internal audit service, and that the committee is satisfied with the management actions in respect of audit recommendations.

### **Background**

3. The principal objective of the Internal Audit team is to examine and evaluate the adequacy of internal control within the various systems, procedures and processes that are operated by the Council.
4. Internal Audit is a statutory service under the Accounts and Audit Regulations 2011, which state that the Council *'must undertake an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control'*.
5. The adequacy of the internal control environment is a key governance issue. Therefore, the Audit Committee needs to be satisfied with the audit arrangements and to be aware of the issues arising from audit work.
6. Within its Terms of Reference the Audit Committee needs to consider 'the summary of internal audit reports issued in the previous period'. The Audit Committee needs to be satisfied that the audit process is working efficiently and that management is taking the necessary action to implement agreed audit recommendations.
7. Five, full, planned audit projects were completed between April and September 2011. In addition a number of other pieces of 'consultancy work' were carried out. The audits and the other work are shown at Appendix A.
8. In addition, four audits were in progress' at 30 September, being audits of: responsive repairs; data protection; renovation grants, and food safety. These audits and other audit work programmed for the second half of 2011/12 will be reported to the Audit Committee in June 2012.
9. The emphasis during the second part of the year will be strongly based around delivering the remainder of the planned audit work. Considerable management attention will be directed to ensuring that targets are met and that the audit plan is achieved.

10. Each audit report includes an assurance statement in terms of the adequacy of controls. The definitions for the assurance assessments are shown at Appendix C.
11. A follow-up to each report is completed, usually three to six months after the date of issues of each original report. The follow-ups allow the adequacy of controls to be re-assessed. For example, the follow-up to the audit on 'Grants to Outside Bodies' that was originally carried out in 2010, has confirmed that the recommendations have been implemented and that the control assurance has increased to 'substantial'.
12. This six-month Interim Report is principally intended to inform Members of the work of the Internal Audit team during the first half of the financial year. An Annual Report, which will be provided to the Audit Committee in June 2012, will provide a more detailed review of Internal Audit work over the year and will include an assessment of the adequacy of the Council's overall control environment, in support of the Annual Governance Statement.

### **Risk Assessment**

13. Internal Audit considers the adequacy of the controls over risk within all of the services and systems that are reviewed.
14. The Audit Committee needs assurance that risks are being identified and managed.

### **Equalities Impact Assessment**

15. Not applicable.

### **Other Options Considered**

16. The Audit Committee needs to have an awareness of the work of Internal Audit in the context of its Terms of Reference. Therefore, no other option is appropriate.

### **Consultation**

17. The respective Head of Service is consulted on the content of all Internal Audit reviews and is provided with a report setting out the detailed audit findings and recommendations. In addition, a copy of every Internal Audit report is provided to the Chief Executive and the Deputy Chief Executive.

### **Implications Assessment**

18. There are no direct financial implications.
19. Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2011.

## **Conclusion**

20. The report provides details of the work of the Internal Audit team between April and September 2011 and contains evidence of an adequate and effective audit service.
21. The work of the team will be directed more specifically to achieving the audit plan in the second half of the financial year.
22. Although Internal Audit has identified some areas where improvements in controls are required, the relevant Head of Service has taken, or will be taking, the necessary action to improve controls.

## **Portfolio Holder's Views**

23.

24.

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## APPENDIX A

**Service:** Corporate/Section 151 officer responsibilities

**Audit title:** National Fraud Initiative (NFI)

**Report issued:** May 2011

### Background:

The NFI is a biennial data matching exercise carried out by the Audit Commission. The Council is required to submit a broad range of data which are matched against other data sets from a number of sources. Data sets provided by the Council include: Benefits; Payroll; Creditors; Residents' Parking Permits; Licensing; Insurance claims, and Register of Electors.

The audit sought to confirm that data matches were being appropriately investigated by the respective 'data owners' within the Council.

### Findings:

Internal Audit is the 'Key Contact' for the NFI exercise and has the responsibility for overseeing /co-ordinating the initiative at the local level. This includes monitoring the progress of investigations and ensuring that the Council complies with the Code of Data Matching.

The report identified that good progress was being made to investigate the data matches.

The report provides some assurance that arrangements are in place for the prevention and detection of fraud within the organisation and provides evidence for the Annual Governance statement

**Level of assurance at the time of audit:** Not applicable

**Management response summary:** The report is provided for information and no response is required.

---

**Service:** Revenues and Benefits

**Audit title:** Debtors

**Report Issued:** June 2011

### Audit Objectives:

To undertake audit testing to evaluate the effectiveness of the key controls over the Sundry Debtors system, which exist to ensure that:

- Debtor accounts are promptly and correctly raised in respect of all Miscellaneous and service charges due to the Council
- Debtor accounts are promptly followed up when no payment has been

Received

- Debtor accounts are correctly recorded in the Council's accounts
- Payments are promptly and correctly posted to debtor accounts
- All write offs of amounts due are properly authorised

Secondly, to establish the action taken to implement the agreed audit recommendations from the previous audit review on Sundry Debtors dated January 2010.

**Key Findings:**

The responsibility for the Sundry Debtors function was transferred to the Revenues and Benefits Manager (from the Exchequer team) in September 2010. The recovery arrangements have been changed so that, where a debt remains outstanding after the Final Notice, a greater emphasis is placed on the originating service area to advise what further action they wish to be taken to recover the debt.

The audit confirmed that service areas are raising debtors accounts appropriately, for the correct amount (where tested) and generally on a timely basis.

The receipting methods for the payment of debtor's invoices are largely automated processes, which operate separately from Debtors staff thus containing an important segregation of duties. Testing undertaken during the audit found that the procedures operated accurately with all payment transactions being posted to the correct debtor account on a timely basis. The changes introduced to the recovery stages are considered to follow sound principles. The audit found that satisfactory records and mechanisms are in place to monitor debts which remain outstanding from the Final Account stage. Testing undertaken on a sample of write offs found each case to be well documented and to substantiate the decision to write off the debt.

The audit has highlighted the need to update the Corporate Debt Recovery Policy in light of procedural changes to the recovery process and to show the change of responsibility for the sundry debtors function. The audit also identified the need to review the level of accounts in credit. In addition, a recommendation is made that write offs should be processed on a more timely basis.

**Level of Assurance at the time of audit:** Substantial

**Management Response Summary:** All three recommendations will be implemented.

---

**Service:** Business Change and Technology

**Audit title:** Interegg – Mosaic Project

**Claim checked:** July 2011

**Background:**

The Council is a participant in the 'Mosaic Project' which is led by Kent County Council and will provide a detailed socio-economic map of the County to assist resource planning and to allow Councils to focus on service delivery. The project is part of an initiative by the 2 Seas Cross-Border Co-operation programme involving the French Nord – Pas de Calais region, the south coast of England and the Dutch coast. All Kent local authorities have participated in this initiative.

The project deals with economic, environmental and social issues. The Council receives up to 50% funding from the European Union. The contribution from Ashford Borough Council is primarily through the time of officers spent developing the project.

Internal Audit acts as the 'First Level Controller' (FLC) and is responsible for auditing all claims, ensuring that the claims comply with strict evidence requirements. The FLC is required to agree and sign-off claims prior to the claim being submitted.

In addition to the normal role as FLC, Internal Audit at Ashford helped to develop a qualitative assessment process which has subsequently been rolled out to the other Kent local authority partners to complete.

**Findings:**

Failure by the Council to submit detailed evidence to support the claim or to provide a FLC certification would result in the claim being rejected. The value of the Council's in-kind contribution will be in excess of £50,000 by the completion of the project.

The audit checks identified a number of errors/omissions that were amended prior to the claim being submitted.

**Level of assurance at the time of audit:** Not applicable.

**Management Response:** None required

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**Service:** Financial Services

**Audit title:** Insurance

**Report Issued:** September 2011

**Audit Objectives:**

- To consider the means by which risks are identified and prevented/mitigated and how the Councils insurance requirements are agreed;
- To establish the adequacy of the arrangements for the recording and administration of insurance claims and to verify, through audit testing, that claims are properly administered;
- To establish the adequacy of the arrangements for the annual review and the negotiation of insurance premiums.
- To consider the adequacy of the arrangements that are in place for the insurance shared service partnership;

**Key Findings:**

Detailed testing of a sample of claim files provided positive results. The Council benefits from the Insurance Officer's expertise and experience in insurance. Sound arrangements are in place for the annual renewal and for the payment of insurance premiums.

The audit report recommends that the shared service arrangements with Maidstone Borough Council (and Tunbridge Wells Borough Council) are formalised through a simple agreement which defines the service to be provided, the charges to be made and the roles and responsibilities for each party. It was identified that there are delays in recharging the Insurance Officers time to the participating authorities.

The audit found that suitable arrangements are in place for determining the Councils insurable risks; however there is a need for service managers to consult with and notify the Insurance Officer of new projects and risks.

**Level of Assurance at the time of the audit:** Substantial

**Management Response Summary:**

The management response is considered to be satisfactory, with agreement to implement all six recommendations from the audit.

**Proposed Date for Follow-up:** April 2012

**Follow-up Assessment:** Not applicable at this time

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**Service:** Revenues and Benefits

**Audit title:** Department of Works and Pensions instigated security access breach – internal investigation

**Investigation completed:** September 2011

**Background:**

The Council was advised by the Department of Work and Pensions (DWP) that a member of staff within the Revenues and Benefits section had allegedly misused the permitted access to the Government Connect Secure Extranet (GCSX) national database, which holds information relating to claimants for a range of welfare benefits.

Access to GCSX is very tightly controlled and very closely monitored by the DWP. All staff using GCSX, as they must in the course of processing benefit claims, are required to undertake specialised training which sets out their personal responsibilities. They are then required to sign a statement confirming that they accept those responsibilities. A breach of the 'rules' can represent a breach of the Data Protection Act 1998 and the Computer Misuse Act 1990.

In advising the Council, the DWP made it clear that the member of staff's access to GCSX would be immediately suspended and that DWP regard any breach to be a very serious matter, which they expected the Council to deal with in an apposite manner. In the course of the required liaison an officer from the DWP explained that, if the alleged breach was confirmed following investigation, the individual's access to the system would be suspended for at least 18 months. The DWP would also need to know the result of the investigation. The alleged security breach was potentially also a breach of the council's internal rules.

**Findings:**

The Deputy Chief Executive immediately referred the matter for investigation by Internal Audit, when it was established that the alleged breach had indeed occurred. The member of staff admitted that he had improperly accessed an account. It was apparent this was a one-off incident and there was no malicious intent.

The member of staff was interviewed under the council's disciplinary procedures and found to have committed gross misconduct by breaching the code and the trust placed in him. He was subsequently dismissed.

---








### **Consultancy/Financial Advice/Guidance –other work**

- Corporate Credit Card procedures
- Gateway Financial Procedures
- Income reconciliation processes and development of spreadsheets to facilitate this
- Corporate Debt Policy
- Contract tender opening and evaluation and advice (various)
- Development of 'Team Mate' (Note: Team Mate is the audit management system used by the four partner audit teams)

In addition, members of the team have attended and supported a number of training/corporate initiatives.

## APPENDIX B

### Summary Report of Audit Follow Up Assurance Assessments: April-September 2011

	Follow Up reviews carried out April-September 2010	Date of Follow Up	Audit Assurance Assessment	Follow Up Assurance Assessment	Notes	Direction of Travel
1	Grants to Outside Bodies	July 2011	Limited	Substantial	At the time of follow up action had been taken to implement most of the recommendations therefore the assurance was reassessed as Substantial	
2	Housing Service Charges	August 2011	Substantial	Substantial	Assurance opinion confirmed as Substantial	
3	Expenses	July 2011	Substantial	Substantial	Assurance opinion confirmed as Substantial	
4	Budget Setting & Savings	July 2011	Substantial	Substantial	Assurance opinion confirmed as Substantial	
5	Use of Consultants	September 2011	Limited	Limited	Report was considered by Overview & Scrutiny September 2011 where a revised Management action plan was considered setting out an implementation programme	

## APPENDIX C

### Definitions of Assurance Levels

Our opinion on the adequacy and effectiveness of controls for an audited activity is shown as an **assurance level** within four categories. The use of an **assurance level** is more consistent with the requirement for managers (and Members) to consider the degree to which controls and processes can be relied upon to achieve the objectives of the reviewed activity. The assessment is largely based on the adequacy of the controls over risks but also includes consideration of the adequacy of controls that promote efficiency and value for money. The definitions of assurance levels are provided below:

Controls Assurance Level	Summary description	Detailed definition
Minimal	Urgent improvements in controls or in the application of controls are required	<p>The authority and/or service are exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation. This is because key controls do not exist with the absence of at least one critical control or there is evidence that there is significant non-compliance with key controls.</p> <p>The control arrangements are of a poor standard.</p>
Limited	Improvements in controls or in the application of controls are required	<p>The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review. This is because, key controls exist but they are not applied, or there is significant evidence that they are not applied consistently and effectively.</p> <p>The control arrangements are below an acceptable standard.</p>
Substantial	Controls are in place but improvements would be beneficial	<p>There is some limited exposure to risk which can be mitigated by achievable measures. Key or compensating controls exist but there may be some inconsistency in application.</p> <p>The control arrangements are of an acceptable standard.</p>
High	Strong controls are in place and are complied with	<p>The systems/area under review is not exposed to foreseeable risk, as key controls exist and are applied consistently and effectively.</p> <p>The control arrangements are of a high standard.</p>

**Agenda Item No:** 7  
**Report To:** **AUDIT COMMITTEE**  
**Date:** **6 DECEMBER 2011**  
**Report Title:** **Audit Commission's Annual Audit Letter  
(2010/2011 audit)**  
**Report Author:** Andy Mack and Lynn Clayton (Audit Commission)  
Paul Naylor, Deputy Chief Executive (covering summary)



**Summary:** Attached is the District Auditor's Annual Audit Letter covering the external audit for the 2010/2011 financial year. Both Andy Mack (District Auditor) and Lynn Clayton (external audit team manager) will be present at the meeting to speak about the report and take any questions.

Once again it is pleasing to see acknowledgement of continued improvement; particularly as the 2010/2011 financial statements were prepared against complex new international financial reporting standards. The District Auditor has issued an unqualified opinion on the accounts and an unqualified value for money conclusion. The report explains no significant internal control weaknesses were identified. Consequently there are no recommendations in the letter for specific actions by the council. Also, the District Auditor comments favourably on the council's approach to priority setting for business and financial planning. On future challenges flowing from central government reforms the report highlights these in general terms and advises of the need to follow these closely. The council is doing this having established a series of member and officer task groups to consider the implications of the reforms in the Localism Act 2011.

**Key Decision:** Not applicable

**Affected Wards:** None specifically

**Recommendations:** **The Audit Committee is asked to note the District Auditor's Annual Audit Letter covering the 2010/2011 financial year.**

**Policy Overview:** It is a longstanding objective for the council to maintain sound governance arrangements and deliver good value for money services to its residents. The Annual Audit Letter is important external feedback to help members form judgements about the progress the council is making.

**Financial Implications:** None arise from this report

**Risk Assessment** There are no additional risks highlighted in the report that are not the subject of coverage through the council's risk management approach.

<b>Equalities Impact Assessment</b>	Not applicable
<b>Other Material Implications:</b>	None
<b>Background Papers:</b>	Supporting external audit reports to the Audit Committee during 2010/2011
<b>Contacts:</b>	<u><a href="mailto:Paul.naylor@ashford.gov.uk">Paul.naylor@ashford.gov.uk</a></u> – Tel: (01233) 330436

# Annual Audit Letter

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Ashford Borough Council

Audit 2010/11

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**Traffic light explanation**  
Red  Amber  Green 

# Key messages

**This report summarises the findings from my 2010/11 audit. My audit comprises:**

- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

Key audit risk	Our findings
Unqualified audit opinion	
Proper arrangements to secure value for money	

## **Audit opinion and financial statements**

I issued an unqualified opinion on the Council's financial statements on 30 September 2011.

The Council dealt successfully with the implementation of International Financial Reporting Standards (IFRS) in the financial statements in 2010/11. Officers prepared a restated balance sheet and income and expenditure figures well before year-end and this enabled me to review this work at an early stage.

## **Value for money**

I issued an unqualified value for money conclusion on 30 September 2011.

The Council has good financial governance and sound arrangements for financial control. The Council is fully aware of the significant financial pressures it faces from the economic downturn and decreases in grant funding. It is strengthening its financial planning and is well-placed to address the financial pressures it faces over the medium term.

The Council takes a strategic approach to setting priorities and achievement of cost reductions through improved efficiency and productivity.



# Financial statements and annual governance statement

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The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

## Overall conclusion from the audit

I issued an unqualified opinion on the Council's financial statements on 30 September 2011. The Council prepared its financial statements to a good standard and they were supported by comprehensive working papers, which provided a good audit trail for testing.

The Council agreed to make several amendments to the draft financial statements before I gave my opinion. These changes had no impact on the reported financial performance of the Council for the year. The Council chose not to amend the statements for three items, which I highlighted in my annual governance report. The impact of these unamended items was not material to the overall presentation of the financial statements or the Council's financial performance for the year.

The 2010/11 financial statements were the first to be prepared under International Financial Reporting Standards (IFRS). Under IFRS the Council has been required to;

- review transactions and identify the appropriate accounting treatment under IFRS;
- restate the Council's balance sheet at 1 April 2009 and 1 April 2010; and
- produce several new disclosure notes.

Throughout 2010/11 the Council had an effective framework in place to complete this work.

## Significant weaknesses in internal control

I did not identify any significant weaknesses in the Council's internal control arrangements.

# Value for money

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**I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed performance against the criteria specified by the Audit Commission and have reported the outcome as my value for money (VFM) conclusion.**

I assess the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

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## Value for money criteria and key messages

Criterion	Key messages
<p><b>1. Financial resilience</b></p> <p><b>The organisation has proper arrangements in place to secure financial resilience.</b></p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p><b>The Council has good financial governance and sound arrangements for financial control. It is strengthening its financial planning and is well-placed to address the financial pressures it faces over the medium term.</b></p> <p>The Council has a good understanding of its financial position. Members scrutinise and challenge performance and hold officers to account. The Council is introducing a new performance management framework and risk management arrangements in 2011/12 to strengthen existing arrangements.</p> <p>The Council refreshed its corporate priorities in 2010/11, in its new Five-Year Business Plan. It also updated its medium term financial plan to reflect these priorities and the impact of the current economic climate.</p> <p>The Council has a good track record of managing within its budget. It achieved a £248,000 budget underspend in 2010/11 despite significant budget pressures. At 31 March 2011 the Council had general fund balances and reserves of £7,152,000, which is in line with its projected long-term requirements.</p>

## Criterion

### 2. Securing economy efficiency and effectiveness

**The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

Focus for 2010/11:

The organisation is setting its priorities within tighter budgets, for example by achieving cost decreases and by improving efficiency and productivity.

## Key messages

**The Council takes a strategic approach to setting priorities and achievement of cost reductions through improved efficiency and productivity.**

Over the past year the Council has reviewed its corporate priorities and identified new strategies to help it manage its financial position in the medium term. It carried out a comprehensive consultation with residents and staff to ensure it based its 2011/12 budget decisions on local needs and expected delivery costs.

The Council's spending is low when compared to similar authorities. Further reductions of 15 per cent are required over the next 12 months. The Council's updated medium term financial plan clearly considers the implications of this reduced spending. Officers have shown a strong commitment to exploring the most effective way of delivering services to achieve this savings target. The Council continues to explore all opportunities; for example new income generation, asset utilisation, service efficiencies and partnership working arrangements.

The Council is updating and strengthening its business planning arrangements, including performance management and risk management. It is important the new arrangements are finalised as a priority to ensure the full benefit of the changes is secured.

# Future challenges

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Economic downturn and pressure on the public sector

The national economic environment continues to be challenging for public organisations, with decreases in income from grants and investments and lower economic activity. The Council's current medium term financial forecast assumes a 30 per cent fall in income over the four years to 2014/15. The Council has identified that it needs to make savings of £3.7 million in the five years to 2015/16, including £1.796 million in 2011/12, to ensure it continues to deliver a balanced financial position in the medium term. The Council's new five-year business plan recognises the need for the Council to do things differently to deliver its priorities with reduced income. The business plan reflects the Council's focus on achievement of its major priorities (agreed following extensive public consultation) alongside delivery of a decent service in essential areas of business.

Impact of new legislation.

The government has announced some wide-ranging reforms to the public sector since taking office in May 2010. Many are contained in the Localism Bill, key aspects of which include:

- introducing a general power of competence for local authorities;
- introducing the right for communities to buy local assets threatened with closure, challenge the way services are provided and initiate referendums; and
- significant reforms to the planning system.

The government is proposing the current method of financing the Housing Revenue Account (HRA) will change from 2012/13, to a self-funding system. Under the new system authorities will take control of their housing rental income and a share of the national £28 billion housing debt. The debt settlement will be based on a valuation of the authority's housing stock. From 2012/13 HRA debt will be ring-fenced and authorities will no longer receive housing subsidy or major repairs allowance income and will be expected to fund all HRA revenue and capital expenditure from existing resources.

The Welfare Reform Bill contains proposals which will affect benefits administration. Some proposals are still the subject of consultation, for example those relating to the local retention of business rates and the introduction of new localised schemes to replace council tax benefit.

The Council will need to consider the implications of this new legislation. Some proposals may involve changes to workloads or more coordination with other local authorities. The Council will also need to consider the implications for their medium term financial plans of changes to funding arrangements or to the overall central government support.

# Closing remarks

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I have discussed and agreed this letter with the Chief Executive and Deputy Chief Executive. I will present the letter to the December 2011 Audit Committee. A copy of the letter will also be circulated to all Members.

More detailed findings, conclusions and recommendations in the areas covered by my audit are included in the reports I issued to the Council during the year.

Report	Date issued
Audit and inspection fee letter	April 2010
Audit plan	February 2011
Interim Audit Memorandum	June 2011
Annual Governance Report	September 2011

The Council has taken a positive and constructive approach to the audit. I wish to thank the Council's staff for their support and cooperation during the audit.

Andy Mack  
District Auditor

November 2011

# Appendix 1 – Fees

	Actual 2009/10	2010/11 Initial Estimate (April 2010)	2010/11 Revised Estimate ( April 2011)	Actual 2010/11
Audit fee	138,800	139,500	139,500	139,500
Inspection Fee	9,152	9,152	0 <sup>i</sup>	0
<b>Total</b>	<b>147,952</b>	<b>148,652</b>	<b>139,500</b>	<b>139,500</b>

In addition the Audit Commission issued rebates for the 2010/11 audit fee as follows:

April 2010 rebate for the costs associated with the first year implementation of IFRS	(7,684)
December 2010 rebate to reflect the new approach to VFM work in 2010/11	(1,921)

<sup>i</sup> Inspection activity cancelled following the abolition of CAA.

# Appendix 2 – Glossary

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## **Annual governance statement**

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

## **Audit opinion**

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

## **Opinion**

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

## **Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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- any director/member or officer in their individual capacity; or
- any third party.





**Agenda Item No:** 8

**Report To:** **AUDIT COMMITTEE**

**Date:** **6 DECEMBER 2011**

**Report Title:** **2010-2011 Annual Governance Statement – progress on remedying highlighted significant areas of governance**

**Report Author:** Paul Naylor, Deputy Chief Executive



**Summary:** This short paper follows on from the report to the September meeting of the committee and explains progress against the two areas for further work included in the Annual Governance Statement agreed by the committee in June. Two matters were highlighted for attention this year: a need for a review of the council's risk management approach, and the need to review principles relating to partnership governance.

**Key Decision:** Not applicable

**Affected Wards:** None specifically

**Recommendations:** **The Audit Committee is asked to:**

- 1. Note the progress with plans to address the council's risk management approach, and**
- 2. Note that there has been a delay with commencing discussions in relation to draft partnership principles and that this item will now be considered at the next meeting following discussions with the nominated members.**

**Policy Overview:** Good standards of corporate governance are essential in all organisations. The council's arrangements are longstanding, well-developed and generally are found to be effective. The annual governance statement is the opportunity to review any need for change or further work. The two areas highlighted are important to consider in the context of a changing policy and operating landscape, given legislative change and downward pressures on resources.

**Financial Implications:** None

**Risk Assessment** The annual review of the governance statement amounts to an assessment of the adequacy of the council's overall arrangements to the management of governance and risk.

**Equalities Impact Assessment** Not applicable to this report

**Other Material  
Implications:**

None

**Background  
Papers:**

2010-2011 Annual Governance Statement

**Contacts:**

[paul.naylor@ashford.gov.uk](mailto:paul.naylor@ashford.gov.uk) – Tel: 01233 330436

**Report Title: 2010-2011 Annual Governance Statement – progress on remedying highlighted significant areas of governance**

**Purpose of the report**

1. To explain progress with reviews of two areas of significant governance highlighted by the 2010-2011 annual governance statement.

**Issue to decided**

2. Members are being asked to note progress.

**Significant areas of governance requiring review**

3. Two areas were highlighted in the June 2010-2011 Annual Governance Statement as needing review. These are explained below with a note of progress since the committee's September meeting.

**A) *A full review of the council's arrangements for identifying and managing strategic and service risks.***

**Progress:** The review work has commenced and represents a significant piece of work over the coming months for officers and members. This work is overseen by the Head of the Audit Partnership and is the subject of a separate report to the committee on this agenda. Members will recall that a briefing on risk management in the context of the changing policy landscape was provided in September by our risk management consultants, Zurich Municipal. The Audit Partnership Head's report is developed from the advice provided at that briefing, and from a subsequent discussion with the chairman. If the recommended approach is supported it is intended the work be complete by the end of March 2012.

**B) *A review of the council's governance principles for partnership working***

**Progress:** Taking forward the planned discussion with the nominated members about the draft principles reported to this committee in September has been delayed due various diary commitments of members and other ongoing work. A time for this discussion will be found before Christmas, and in advance of that some further suggestions from officers will be prepared to put some flesh on the principles paper previously reported.

**Contact:** Paul Naylor, Deputy Chief Executive

**Email:** [paul.naylor@ashford.gov.uk](mailto:paul.naylor@ashford.gov.uk)

**Audit Committee - Future Meetings**

<b>Date 06/03/2012</b>			
<b>Publish by 27/02/12</b>		<b>Pre Comm – if requested by Ch/VCh</b>	
<b>Reports to Management Team by 23<sup>rd</sup> February</b>		<b>Council 19/04/12</b>	
1	Minimal/Limited Audits	BP	
2	Audit Commission's Proposed Audit Plan for the 2011/2012 Audit	AComm	
3	Annual Governance Statement – Progress on Remedying Exceptions	PN	
4	Corporate Performance Report	NC	
5	Report Tracker for Future Meetings	DS	

<b>Date 06/06/2012</b>			
<b>Publish by 25/05/12</b>		<b>Pre Comm – if requested by Ch/VCh</b>	
<b>Reports to Management Team by 24<sup>th</sup> May</b>		<b>Council 19/07/12</b>	
1	Minimal/Limited Audits	BP	
2	Internal Audit Annual Report 2011/12	BP	
3	Annual Review of the Effectiveness of the Systems of Internal Audit	BP	
4	Approval of Annual Governance Statement	PN	
5	Report Tracker for Future Meetings	DS	

<b>Date 19/06/2012</b>		<b>PH Cllr Wood</b>	
<b>Publish by 11/06/12</b>		<b>Pre Comm – if requested by Ch/VCh</b>	
<b>Reports to Management Team by 7<sup>th</sup> June</b>		<b>Council 19/07/12</b>	
1	Minimal/Limited Audits	BP	
2	Benefit Fraud Annual Report 2011/12	Jo Fox	
3	Annual Report of the Audit Committee 2011/12	BP/IC	
4	Internal Audit Operational Plan 2012/13	BP	
5	Corporate Performance Report	NC	
6	Annual Audit Fee Letter 2011/12	AComm (cover by PN)	
7	Compliance with International Standards for Auditing – Letter of Assurance	AComm (cover by BP)	
8	Report Tracker for Future Meetings	DS	

<b>Date 4/09/2012</b>			
<b>Publish by 24/08/12</b>		<b>Pre Comm – if requested by Ch/VCh</b>	
<b>Reports to Management Team by 23<sup>rd</sup> August</b>		<b>Council 18/10/12</b>	
1	Minimal/Limited Audits	BP	
2	Statement of Accounts 2011/12 and the District Auditor's Annual Governance Report	AComm (cover by PN/BL)	
3	Internal Audit Strategic Plan	BP	
4	Annual Governance Statement – Progress on Remedying Exceptions	PN	
5	Corporate Performance Report	NC	
6	Report Tracker for Future Meetings	DS	

<b>Date 4/12/2012</b>			
<b>Publish by 26/11/12</b>		<b>Pre Comm – if requested by Ch/VCh</b>	
<b>Reports to Management Team by 22<sup>nd</sup> November</b>		<b>Council 20/12/12</b>	
1	Minimal/Limited Audits	BP	
2	Annual Governance Statement – Progress on Remedying Exceptions	PN	
3	Corporate Performance Report	NC	
4	Annual Audit Letter 2011/12	AComm (cover by PN)	
5	Report Tracker & Future Meetings	DS	

28/11/2011