



MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: Wednesday 27th June, 2012

TIME: 3.00 pm

VENUE: Town Hall, Bootle

Member

Councillor
Councillor Carr (Chair)
Councillor McGinnity (Vice-Chair)
Councillor Booth
Councillor Brennan
Councillor Lord Fearn
Councillor John Joseph Kelly
Councillor Maher
Councillor McIvor
Councillor Papworth
Councillor Shaw

Substitute

Councillor
Councillor Friel
Councillor Byrom
Councillor Tonkiss
Councillor Mahon
Councillor Hands
Councillor Kermode
Councillor Moncur
Councillor Jones
Councillor Dutton
Councillor Ashton

COMMITTEE OFFICER: Steve Pearce
Head of Committee and Member Services
Telephone: 0151 934 2046
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E-mail: steve.pearce@sefton.gov.uk

If you have any special needs that may require arrangements to facilitate your attendance at this meeting, please contact the Committee Officer named above, who will endeavour to assist.

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AGENDA

1. **Apologies for absence**
2. **Declarations of Interest**

Members and Officers are requested to give notice of any personal or prejudicial interest and the nature of that interest, relating to any item on the agenda in accordance with the relevant Code of Conduct.
3. **Minutes of Previous Meeting** (Pages 5 - 10)

Minutes of the meeting held on 28 March 2012
4. **Standards Regime at Sefton Council** (Pages 11 - 34)

Report of the Head of Corporate Legal Services
5. **External Audit Progress Report**

Representatives of PricewaterhouseCoopers will give a verbal update on the progress of the 2011/12 Audit Plan
6. **Doubtful Debt Provision - National Non-Domestic Rates** (Pages 35 - 40)

Report of the Head of Corporate Finance and ICT
7. **Internal Audit Annual Report 2011/12** (Pages 41 - 96)

Report of the Head of Corporate Finance and ICT
8. **Internal Audit Annual Plan 2012/13** (Pages 97 - 120)

Report of the Head of Corporate Finance and ICT
9. **Exclusion of Press and Public**

To consider passing the following resolution:

That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item(s) of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Act. The Public Interest Test has been applied and favours exclusion of the information from the Press and Public.

- 10. Internal Audit Annual Fraud Report 2011/12** (Pages 121 - 132)
Report of the Head of Corporate Finance and ICT
- 11. Corporate Risk Management and Corporate Risk Register** (Pages 133 - 140)
Report of the Head of Corporate Finance and ICT

THIS SET OF MINUTES IS NOT SUBJECT TO "CALL-IN"

AUDIT AND GOVERNANCE COMMITTEE

**MEETING HELD AT THE TOWN HALL, SOUTHPORT
ON 28 MARCH 2012**

PRESENT: Councillor Hands (in the Chair)
Councillor Tonkiss (Vice-Chair)

Councillors Brennan, Lord Fearn, Friel, McIvor,
Parry and Shaw

ALSO PRESENT: Mr. P. Chambers from PricewaterhouseCoopers

35. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Brady and Maher.

36. DECLARATIONS OF INTEREST

The following declaration of interest was made.

Member	Minute No.	Reason	Action
Councillor Brennan	38 – External Audit Plan 2011/12	Personal – He is a Non Executive Director of Sefton New Directions which is referred to in the report	Took part in the consideration of the item and voted thereon
Councillor Hands	47 – Internal Audit Fraud Report – April 2011 to February 2012	Personal – He is the Chair of the Governors of Birkdale Primary School which is referred to in the report	Took part in the consideration of the item and voted thereon

37. MINUTES OF PREVIOUS MEETING

RESOLVED:

That the Minutes of the meeting of this Committee held on 14 December 2011 be confirmed as a correct record.

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 28TH MARCH, 2012

38. EXTERNAL AUDIT PLAN 2011/12

Mr. P. Chambers from PricewaterhouseCoopers, the Council's external auditors, presented a report setting out the audit and inspection work to be undertaken for the 2011/12 financial year, which included an analysis of the assessment of significant audit risks, the proposed audit strategy approach to be taken by the external auditors, the reporting and audit timetable and details of the indicative audit fee for 2011/12.

RESOLVED: That

- (1) the External Audit Plan 2011/12 be approved;
- (2) the External Auditors only include items greater than £250,000 in the summary of uncorrected misstatements due to the Council's turnover and level of materiality; and
- (3) the Chief Internal Auditor circulate a guidance note to Members of the Committee to assist them in their discussions with the External Auditors on the issues set out in the report relating to Fraud to be held at the conclusion of the next meeting to be held on 27 June 2012.

39. MEMBERS TREASURY MANAGEMENT TRAINING

The Committee considered the report of the Head of Corporate Finance and ICT which provided a summary of the main issues considered at the treasury management training session held for members and substitute members of the Committee on 10 February 2012. The report also referred to proposals for the submission of a detailed report to be a future meeting on the Committee on the "direction of travel" for the Council's investment strategy.

RESOLVED: That:

- (1) the report be noted;
- (2) a detailed report be submitted to a future meeting of the Committee on the "direction of travel" for the Council's investment strategy; and
- (3) the Head of Corporate Finance and ICT submit a report to the next meeting on the Committee on the proposed programme of training sessions to be organised for members and substitute members of the Committee during 2012/13.

40. TREASURY MANAGEMENT 2011/12 - THIRD QUARTER UPDATE

The Committee considered the report of the Head of Corporate Finance and ICT which provided details of the Treasury Management activities undertaken in the current financial year up until 31 December 2011, in

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 28TH MARCH, 2012

accordance with the Council's Treasury Management Policy and Strategy 2011/12.

RESOLVED:

That the report be noted.

41. REVIEW OF DOUBTFUL DEBT PROVISION - COUNCIL TAX / SUNDRY DEBTS

Further to Minute No. 28 of the meeting held on 14 December 2011, the Committee considered the report of the Head of Corporate Finance and ICT on the proposed methodologies for determining the target level of provision for Doubtful Debts for Council Tax and Sundry Debts.

During the discussion on the report, members requested that the monetary value of the proposed level of provision for Doubtful Debts for Council Tax and Sundry Debts should be included in future reports to the Committee in addition to the current and proposed percentage levels of provision.

RESOLVED: That:

- (1) the proposed methodology for determining the target level of provision for Doubtful Debts for Council Tax and Sundry Debts be noted;
- (2) it be noted that the Council will move toward the achievement of these target levels, as resources allow,
- (3) a report on the proposed methodology for determining the target level of provision for Business Rate Debts be submitted to the next meeting of the Committee.

42. INTERNAL AUDIT PLAN 2011/12 PERFORMANCE REPORT - APRIL 2011 TO FEBRUARY 2012

The Committee considered the report of the Head of Corporate Finance and ICT which provided a summary of internal audit work undertaken during the period April 2011 to February 2012. The Committee was required to be appraised of and review Internal Audit work as part of its review of the internal control environment and overall Governance arrangements.

The report also provided details of the performance trend of Arvato's Benefit Fraud Investigation Team.

RESOLVED:

That the report be noted.

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 28TH MARCH, 2012

43. INTERNAL AUDIT PLAN 2012/13

The Committee considered the report of the Head of Corporate Finance and ICT on the proposed framework for the Chief Internal Auditor to consult with Strategic and Service Directors on the production of the Internal Audit Annual Plan for 2012/13 in accordance with the CIPFA Code of Practice for Internal Audit. The report indicated that the details of the Internal Audit Annual Plan for 2012/13 would be reported to the next meeting of the Committee.

RESOLVED:

That the proposed framework for the production of the Internal Audit Plan for 2012/13 be approved.

44. AUDIT COMMISSION REPORT - PROTECTING THE PUBLIC PURSE

The Committee considered the report of the Head of Corporate Finance and ICT which provided a summary of the Audit Commission's publication "Protecting the Public Purse (Fighting Fraud against Local Government)" and outlined the Council's proposed response to the issues identified in the publication by identifying the Council's current actions to respond to the risk of Fraud and identify any potential gaps / weaknesses in the Council's strategy / plan.

RESOLVED:

That the report be noted and the Council's proposed response, action plan / way forward to the publication be endorsed

45. THE FUTURE OF THE STANDARDS REGIME AT SEFTON COUNCIL

Further to Minute No. 14 of the meeting of the Standards Committee held on 13 March 2012, the Committee considered the report of the Head of Corporate Legal Services which provided details of the impact of the Localism Act 2011 on the current standards regime. The report also outlined the possible future arrangements for the administration of Standards in Sefton with effect from 1 July 2012.

RESOLVED: That

- (1) the Council be requested to give approval to the work of the current Standards Committee being merged with that of the Council's Audit and Governance Committee and that the case-work of the current Standards Sub Committees continue and be overseen by the Audit and Governance Committee, subject to consideration being given to an increase in the number of members on the Committee for the 2012/13 Council Year; and

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 28TH MARCH, 2012

- (2) resolutions (2) and (3) in Minute 14 of the meeting of the Standards Committee held on 13 March 2012 be endorsed.

(In accordance with Rule 18.4 of the Council and Committee Procedure Rules, Councillors Brennan and Friel requested that their abstentions on the vote taken on resolution (1) be recorded)

46. EXCLUSION OF PRESS AND PUBLIC

RESOLVED:

That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they would involve the likely disclosure of exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Act. The Public Interest Test had been applied and favoured exclusion of the information from the press and public.

47. INTERNAL AUDIT FRAUD REPORT - APRIL 2011 - FEBRUARY 2012

The Committee considered the report of the Head of Corporate Finance and ICT which provided a summary of the proactive and reactive anti-fraud and investigation work undertaken during the period April 2011 to February 2012 by the Internal Audit Team.

RESOLVED:

That the report be noted.

48. CORPORATE RISK MANAGEMENT AND CORPORATE RISK REGISTER

The Committee considered the report of the Head of Corporate Finance and ICT on the revised arrangements for the management and mitigation of risk within the Council through the introduction of a Corporate and Community Risk Management Group. The report also provided details of the Corporate Risk Register which had been updated to reflect the Council's corporate objectives and monitor the Council's strategic risks.

RESOLVED: That:

- (1) the changes required in order to manage and mitigate risk within the Council be noted;
- (2) the introduction of the Corporate and Community Risk Management Group be noted;
- (3) the updated Corporate Risk Register be approved; and

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 28TH MARCH,
2012

- (4) the Head of Corporate Finance and ICT be requested to submit a report to the next meeting of the Committee on the arrangements for managing and mitigating “reputation damage” to the Council through the dissemination of appropriate information on key strategic and operational issues to Members of the Council.

Agenda Item 4

Report to: Standards Committee
Audit and Governance
Council

Date of Meeting: 19 June 2012
27 June 2012
5 July 2012

Subject: Standards Regime at Sefton Council

Report of: Head of Corporate Legal Services

Wards Affected: No

Is this a Key Decision? No

Is it included in the Forward Plan?
No

Exempt/Confidential No

Purpose/Summary

To provide a further update on the impact of the Localism Act 2011 and the standards regime.

Recommendation(s)

Standards Committee – 19 June 2012

To note the contents of the report.

Audit & Governance Committee – 27 June 2012

1. To note the contents of the report
2. To also note the need for a further review and research to be undertaken of the Standards Regime within the current municipal year
3. To recommend for approval the additional draft Terms of Reference (Appendix D) to Council on 5 July 2012.

Council – 5 July 2012

1. To agree to adopt the Code of Conduct as set out in Appendix C
2. To agree that a working party be drawn from the Audit & Governance Committee as opposed to the Standards Committee as set out in Resolution 6 of the Council meeting held on 12 April 2012. (Paragraph 1(6) refers)
3. To agree to the appointment of the Independent Persons in accordance with the transitory regulations for the period ending no later than 30 June 2013. Details will be provided to Members prior to the meeting of full Council.
4. To agree to the additional Terms of Reference for Audit and Governance Committee as shown at Appendix D

Agenda Item 4

How does the decision contribute to the Council's Corporate Objectives?

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		X	
2	Jobs and Prosperity		X	
3	Environmental Sustainability		X	
4	Health and Well-Being		X	
5	Children and Young People		X	
6	Creating Safe Communities		X	
7	Creating Inclusive Communities		X	
8	Improving the Quality of Council Services and Strengthening Local Democracy		X	

Reasons for the Recommendation:

To ensure that the Council is compliant with the requirements of the Localism Act 2011.

What will it cost and how will it be financed?

(A) Revenue Costs

Nil

(B) Capital Costs

Nil

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal: Legal implications are contained within the report.		
Human Resources		
Equality		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

None expected

What consultations have taken place on the proposals and when?

The Head of Corporate Finance & ICT Strategy (FD1609/12) has been consulted and has no comments to make on this report as there are no direct financial implications as a result of it.

Are there any other options available for consideration?

The introduction of the Localism Act 2011 means that changes have to be made to the current standards regime at the Council to ensure that the Council is compliant. Options as to how the Council becomes compliant with the legislation were considered in the last report to Council – 12 April 2012 and there is a further opportunity for review later in the municipal year.

Implementation Date for the Decision

Immediately following the decision at full Council on 5 July 2012

Contact Officer: Jill Coule, Head of Corporate Legal services and Monitoring Officer

Tel: 0151 934 2031

Email: jill.coule@sefton.gov.uk

Background Papers:

There are no background papers available for inspection.

Agenda Item 4

1. Introduction

1.1 At the Council meeting on 12 April 2012 a number of issued were resolved. The table below shows how each of those actions where appropriate have been acted upon to ensure compliance with the Localism Act 2011.

	Council Resolved	Current Postion/Action Taken
1.	The Standards Committee cease to exist with effect from 30 June 2012;	The last meeting of the Standards Committee takes place on 19 June 2012
2.	The work of the current Standards Committee be merged with that of the Audit and Governance Committee with effect from 1 July 2012, and that the case-work of the current Standards Sub Committees continue and be overseen by the Audit and Governance Committee;	The Terms of Reference attached in Appendix D will ensure that that transition takes place.
3.	The draft Code of Conduct set out in Appendix A (12 April 2012) of the report as prepared by the Association of County Secretaries and Solicitors (ACSeS) be adopted by the Council with effect from 1 July 2012, subject to resolutions (9) and (10) below;	The ACSeS Code of Conduct has been amended to include the most recent regulations regarding disclosure of pecuniary interests and is attached for approval at full Council on 5 July 212 at Appendix C
4.	The Monitoring Officer and/or Deputies be given delegated authority in consultation with the Independent Member to deal with certain prescribed matters, in writing without the need to convene meetings, as set out in paragraph 6 of the report;	Amendments will be made to the Monitoring Officer's roles and responsibilities when further work is undertaken to update the Council's constitution and is due for consideration at Council in September 2012
5.	Authority be delegated to the Hearings Sub Committee to impose the range of sanctions identified in paragraph 7 of the report (to Council on 12 April 2012) on a Councillor should he/she have been found to be in breach of the Code of Conduct;	See proposed Terms of Reference included in Appendix D
6.	The Monitoring Officer be granted delegated authority to make arrangements for the advertisement, recruitment of an Independent Member (IP) and for standby IP's in consultation with a working group of members (maximum of 5 members) drawn from the current Standards Committee	Given the handover arrangements between the current independent members of the Standards Committee and the new Independent Person posts being recruited to as facilitated in the transitory

Agenda Item 4

		arrangements, this will be conducted during the current municipal year and the working group will be drawn from the Audit & Governance Committee members. See recommendation 3 to Council.
7.	The Monitoring Officer prepare the new register of interests in conjunction with the Head of Governance and Civic Services to comply with the new Code of Conduct and the Act and ensure that the register is available for inspection;	Details of the register will be sent to members before the end of June 2012
8.	The Monitoring Officer ensure that Members of the Council and Parish Councils are made aware of their new obligations under the Act in due course;	A presentation was made to some representatives of the Parish and Town Councils on 22 May 2012, a further presentation is being arranged, hopefully for late June 2012
9.	In addition to the draft Code of Conduct prepared by ACSeS, a provision be included in the Code to ensure that members update their register of interests within 2 months of the date that a change occurs;	See Appendix C
10.	A further addition be made to the ACSeS draft Code of Conduct that where a member discloses a Discloseable Pecuniary Interest, he/she must withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest, except where he/she is permitted to remain as a result of a grant of a dispensation;	As above
11.	The necessary changes be made to the terms of reference of the Audit and Governance Committee and that the Council's Constitution be amended accordingly; and	See Appendix D
12.	A further review of the administration of Standards in Sefton be undertaken within six months of their introduction and be reconsidered by the Council	See paragraph 1.4 below

1.2 In the days immediately before the Council meeting on 12 April 2012 and since, a number of documents were or have been circulated by the LGA and DCLG:

- On 10 April 2012 the LGA circulated to Leaders and Chief Executives a template Code and Guidance note on Conduct. A copy of which is attached at **Appendix A**. The purpose of providing this to Council's was to 'assist authorities in thinking about how their new Code of Conduct should look and it

Agenda Item 4

remains the LGA's view that it is for each Council's locally elected members to decide what the right Code will look like in its area.'

- On 11 April 2012 the DCLG made available an illustrative text for a Code of Conduct for Members and Co-opted Members of Councils. This was unexpected and provides an example of what a Code of Conduct might look like. A copy of this is attached at **Appendix B**
- On 6 June 2012, the DCLG issued the final form of the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 No 1464 which specify what a pecuniary interest is. These are explained, in more detail, later in the report.
- The DCLG has also issued the Localism Act 2011 Commencement No 6 (Transition, Savings and Transitory Provisions) Order 2012 No 1463

1.3 The purpose of including appendices A & B at this time is to simply ensure that Members are aware that there are other examples of Codes of Conduct being promulgated.

1.4 Members will appreciate that when the review is carried out in accordance with the resolution above, further research will be undertaken to consider the best practice from other local authorities within Merseyside and elsewhere and to see if there are any reported cases, articles etc which could be incorporated in Sefton's final Code of Conduct. Any review will naturally include consultation work with the Parish and Town Council's within Sefton.

The new Regulations – Disclosing Pecuniary Interests

1.5 The new Regulations take effect on 1 July 2012. Given that this information will not be considered by Members of Council until 5 July 2012, officers will write to all Councillors before the end of June 2012. The communication will advise them of the legislative changes and for the opportunity to be trained in both the new Code and disclosure of interests immediately prior to the Council meeting on 5 July 2012.

1.6 Section 30 of the Localism Act 2011 provides that a member or co-opted member must, before the end of 28 days beginning with the day on which the person becomes a member or co-opted member of the authority, notify the authority's monitoring officer of any disclosable pecuniary interests which the person has at the time when notification is given.

1.7 The Act states that an interest is a disclosable pecuniary interest if it is of a description as described above and either

- It is an interest of the member, or
- It is an interest of:
 - The member's spouse or civil partner
 - A person with whom the member is living as husband and wife, or
 - A person with whom the member is living as if they were civil partners,

And the member is aware that that other person has the interest.

Agenda Item 4

1.8 The pecuniary interests which are specified below, is the information contained in the prescribed description as follows:

Subject	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by a Member of a relevant authority in carrying out duties as a Member, or towards the election expenses of a/the Member of the relevant authority.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest*) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p> <p><i>*this means a firm in which the relevant person is a partner or a body coporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest</i></p>
Land	<p>Any beneficial interest in land which is within the area of the relevant authority*.</p> <p><i>*land excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income.</i></p>
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to the relevant Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p>

Agenda Item 4

(b) the tenant is a body in which the relevant person has a beneficial interest.

Securities

Any beneficial interest in securities* of a body where—

(a) that body (to the relevant Member's knowledge) has a place of business or land in the area of the relevant authority; and

(b) either—

(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

**securities means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.*

Appointment of Independent Persons

1.9 In relation to the appointment to the post of Independent Person (IP) the Act is very specific about who is eligible to apply for the post and the following people are **not** entitled to apply for the position:

- A member, co-opted member or officer of Sefton MBC
- A member, co-opted member or officer of a parish council that lies within the geographical boundary of Sefton MBC
- A relative or close friend of a member, co-opted member or officer of Sefton MBC
- A relative or close friend of a member, co-opted member or officer of a parish council that lies within the geographical boundary of Sefton MBC
- You have been within the last 5 years a member, co-opted member or officer of Sefton MBC
- You have been within the last 5 years a member, co-opted member or officer of a parish council that lies within the geographical boundary of Sefton MBC.

1.10 However, recently published Transition Regulations provide that notwithstanding the above provisions a person **may** be appointed as an independent person if that person:

- is not a member or co-opted member of the standards committee of the authority on 1 July 2012; but
- has held such a post at any time during 5 years ending on 30 June 2012.

Agenda Item 4

This transition provision only applies in relation to appointments made before 1 July 2013. In other words the authority can appoint one of the former Independent Members of the Standards Committee for a maximum period of 12 months pending the appointment of an Independent Person who will meet all the criteria as set out in paragraph 1.9 above.

Arrangements for Implementation

- 1.11 The Council's Monitoring Officer met with representatives of the Parish and Town Council's at Maghull Town Hall on 22 May 2012 to give a presentation on the new standards regime and it was agreed that a similar presentation would be given to all the clerks during the last two weeks of June. The presentation date is yet to be determined.
- 1.12 As part of the new members' induction programme new members will receive training on the current and new standards regime on 18 June 2012.
- 1.13 All members will receive a letter to outline the changes before the end of June and will have the opportunity to be trained on 5 July 2012 immediately before the Council meeting.

List of Appendices

Appendix A	Local Government Association proposed Code of Conduct
Appendix B	Department of Communities and Local Government illustrative text
Appendix C	Sefton Metropolitan Borough Council's revised Code of Conduct
Appendix D	Proposed Terms of Reference for the Audit and Governance Committee

Agenda Item 4

Appendix A Local Government Association proposed Code of Conduct

Template Code of Conduct

As a member or co-opted member of *[X authority]* I have a responsibility to represent the community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

In accordance with the Localism Act provisions, when acting in this capacity I am committed to behaving in a manner that is consistent with the following principles to achieve best value for our residents and maintain public confidence in this authority.

SELFLESSNESS: Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP: Holders of public office should promote and support these principles by leadership and example.

The Act further provides for registration and disclosure of interests and in *[X authority]* this will be done as follows: *[to be completed by individual authorities]*

As a Member of *[X authority]*, my conduct will in particular address the statutory principles of the code of conduct by:

Championing the needs of residents – the whole community and in a special way my constituents, including those who did not vote for me - and putting their interests first.

Dealing with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.

Not allowing other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the *[county][borough][Authority's area]* or the good governance of the authority in a proper manner.

Exercising independent judgement and not compromising my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member/co-opted member of this authority.

Agenda Item 4

Listening to the interests of all parties, including relevant advice from statutory and other professional officers, taking all relevant information into consideration, remaining objective and making decisions on merit.

Being accountable for my decisions and co-operating when scrutinised internally and externally, including by local residents.

Contributing to making this authority's decision-making processes as open and transparent as possible to enable residents to understand the reasoning behind those decisions and to be informed when holding me and other members to account but restricting access to information when the wider public interest or the law requires it

Behaving in accordance with all our legal obligations, alongside any requirements contained within this authority's policies, protocols and procedures, including on the use of the Authority's resources.

Valuing my colleagues and staff and engaging with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.

Always treating people with respect, including the organisations and public I engage with and those I work alongside.

Providing leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this authority.

Agenda Item 4

Appendix B Department of Communities and Local Government illustrative text

Illustrative text for code dealing with the conduct expected of members and co-opted members of the authority when acting in that capacity

You are a member or co-opted member of the [name] council and hence you shall have regard to the following principles – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Accordingly, when acting in your capacity as a member or co-opted member -

You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

When carrying out your public duties you must make all choices, such as making public appointments, awarding contracts or recommending individuals for rewards or benefits, on merit.

You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.

You must be as open as possible about your decisions and actions and the decisions and actions of your authority and should be prepared to give reasons for those decisions and actions.

You must declare any private interests, both pecuniary and non-pecuniary, that relate to your public duties and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests in a manner conforming with the procedures set out in the box below.

You must, when using or authorising the use by others of the resources of your authority, ensure that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.

Registering and declaring pecuniary and non-pecuniary interests

You must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

Agenda Item 4

In addition, you must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary or non-pecuniary interest which your authority has decided should be included in the register.

If an interest has not been entered onto the authority's register, then the member must disclose the interest to any meeting of the authority at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'.¹

Following any disclosure of an interest not on the authority's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. Additionally, you must observe the restrictions your authority places on your involvement in matters where you have a pecuniary or non pecuniary interest as defined by your authority.

¹ A 'sensitive interest' is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

Agenda Item 4

Appendix C

Sefton Metropolitan Borough Council's revised Code of Conduct

CODE OF CONDUCT

Introduction

This Code applies to you as a member of this Authority when you act in your role as a member and it is your responsibility to comply with the provisions of this Code.

You are a representative of this Authority and the public will view you as such and therefore your actions impact on how the Authority as a whole is viewed and your actions can have both positive and negative impacts on the Authority.

This Code is based upon the "Nolan Principles - the seven principles of public life" which are set out at Appendix 1 of this Code.

Interpretation

In this Code:-

"Meeting" means any meeting of:

- (a) the Authority;
- (b) the executive of the Authority;
- (c) any of the Authority's or its executive's committees, sub-committees, joint committees or area committees;

whether or not the press and public are excluded from the meeting in question by virtue of a resolution of members.

"Member" includes a co-opted member and an appointed member.

General Obligations

1. When acting in your role as a member of the Authority:

1.1 **DO** treat others with respect;

1.2 **DO NOT** conduct yourself in a manner which is contrary to the Authority's duty to promote and maintain high standards of conduct of members;

1.3 **DO NOT** disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:-

- (i) you have the consent of a person authorised to give it;
- (ii) you are required by law to do so;
- (iii) the disclosure is made to a third party for the purpose of obtaining professional legal advice, provided that the third party agrees not to disclose the information to any other person; or
- (iv) the disclosure is:-

Agenda Item 4

- (a) reasonable and in the public interest; and
- (b) made in good faith and in compliance with the reasonable requirements of the Authority; and
- (c) you have consulted the Monitoring Officer prior to its release; and

1.4 **DO NOT** prevent another person from gaining access to information to which that person is entitled by law.

2. When using or authorising the use by others of the resources of the Authority:-

2.1 **DO** act in accordance with the Authority's reasonable requirements, including the requirements of the Authority's ICT policy and the policies (attached to or included in the Authority's Constitution), copies of which have been provided to you and which you are deemed to have read;

2.2 **DO** make sure that such resources are not used improperly for political purposes (including party political purposes); and

2.3 **DO** have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

Interests

3. As a public figure, your public role may, at times, overlap with your personal and/or professional life and interests. However, when performing your public role as a member, **DO** act solely in terms of the public interest and **DO NOT** act in a manner to gain financial or other material benefits for yourself, your family, your friends, your employer or in relation to your business interests. The definition of pecuniary interests is now set out in Appendix C of the Code of Conduct.

4. You are required to register "pecuniary and other interests". Failure to declare or register a pecuniary interest will be a criminal offence if this is done without a reasonable excuse. If you knowingly or recklessly provide false or misleading information about a pecuniary interest, this will also be a criminal offence.

5. There will be no requirement for you to declare or register any gifts and hospitality, but **DO NOT** accept any gifts in excess of £50 (fifty pounds).

Disclosure and participation

6. At a meeting where such issues arise, **DO** declare any interests relating to your public duties and **DO** take steps to resolve any conflicts arising in a way that protects the public interest.

7. Certain types of decisions, including those relating to a permission, licence, consent or registration for yourself, your friends, your family members, your employer or your business interests, may be so closely tied to your personal and/or professional life that your ability to contribute to a decision in an impartial manner in your role as a member may be called into question and in turn raise

Agenda Item 4

issues about the validity of the decision of the Authority. **DO NOT** become involved in these decisions any more than a member of the public in the same personal and/or professional position as yourself is able to and **DO NOT** vote in relation to such matters. (See also Appendix 2.) In addition,

- members must update their register of interests within 28 days of the date that a change occurs;
 - where a member discloses a Discloseable Pecuniary Interest, he/she must withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest, except where he/she is permitted to remain as a result of a grant of a dispensation
9. **DO NOT** improperly use knowledge gained solely as a result of your role as a member for the advancement of yourself, your friends, your family members, your employer or your business interests.

Pre-determination or bias

9. Where you have been involved in campaigning in your political role on an issue which does not impact on your personal and/or professional life, you should not be prohibited from participating in a decision in your political role as a member. However, **DO NOT** place yourself under any financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.
10. When making a decision, **DO** consider the matter with an open mind and on the facts made available to you in order for the decision to be taken.

Interests arising in relation to overview and scrutiny committees

11. In relation to any business before an overview and scrutiny committee of the Authority (or of a sub-committee of such a committee) where:
- 11.1 that business relates to a decision made (whether implemented or not), or action taken by your Authority's executive or another of your Authority's committees, sub-committees, joint committees or joint sub-committees; and
 - 11.2 at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph 11.1 and you were present when that decision was made or action was taken; or
 - 11.3 that business relates to a decision made (whether implemented or not), or action taken by you (whether by virtue of the Authority's Constitution or under delegated authority from the Leader):

you may attend a meeting of the overview and scrutiny committee of your Authority or of a sub-committee of such a committee, but only for the purpose of making representations, answering questions or giving evidence relating to the

Agenda Item 4

business, provided that the public are also allowed to attend the meeting for the same purposes, whether under a statutory right or otherwise.

Agenda Item 4

APPENDIX 1

THE SEVEN PRINCIPLES OF PUBLIC LIFE

SELFLESSNESS

Holders of the public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

INTEGRITY

Holders of the public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP

Holders of public office should promote and support these principles by leadership and example.

APPENDIX 2

Where the decision referred to in Clause 7 of the Code relates to one of the functions of the Authority set out below, and the condition which follows that function does not apply to you when making that decision, you may participate in the decision:

- (i) housing, where you are a tenant of your Authority *unless* the decision relates particularly to your tenancy or lease;
- (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or a parent governor of a school *unless* the decision relates particularly to the school concerned;
- (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of such pay;
- (iv) an allowance, payment or indemnity given to members;
- (v) any ceremonial honour given to members; and
- (vi) setting Council Tax or a precept under the Local Government Finance Act 1992.

Agenda Item 4

APPENDIX 3

Subject	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by a Member of a relevant authority in carrying out duties as a Member, or towards the election expenses of a/the Member of the relevant authority. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest*) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged. <i>*this means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest</i>
Land	Any beneficial interest in land which is within the area of the relevant authority*. <i>*land excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income.</i>
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to the relevant Member's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities* of a

Agenda Item 4

body where—

(a) that body (to the relevant Member's knowledge) has a place of business or land in the area of the relevant authority; and

(b) either—

(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

**securities means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.*

Agenda Item 4

Appendix D

Proposed Terms of Reference for the Audit & Governance Committee

That the following terms of reference be added to the Audit & Governance Committee's terms of reference:

Audit & Governance Committee

1. To make recommendations to the Council on the adoption, implementation and maintenance and review of a local Code of Conduct for Members – co-opted Members and officers of the Council
2. To determine effective training of Councillors and Co-opted Members in matters of conduct and advice to individuals on issues relating to the treatment of interests and on the propriety of conduct generally.
3. To deal with the arrangements for Councillors to receive dispensations to speak on, or participate in, matters in which they have an interest.
4. To determine the appropriate action on matters referred to the Committee by the Monitoring Officer including disciplinary matters relating to the conduct of individual and/or groups of Councillors
5. To ensure compliance throughout the Council with all appropriate Codes of Conduct and procedures from time to time determined by the Committee
6. To deal with appropriate matters referred to it from other Committees
7. To determine any applications for the grant and supervision of exemptions from political restrictions in accordance with Section 3A of the Local Government and Housing Act 1989.

Initial Assessment Sub Committee

To receive and determine whether to refer for investigation or other appropriate action any written complaints regarding alleged misconduct on the part of the Code of Conduct of any Borough or Parish or Town Councillor or Co-opted Member

Review Sub-Committee

To further review and re-consider the decision of the Initial Assessment Sub-Committee in relation to any decision not to refer an allegation for investigation or any other action which was considered by the Sub-Committee and to determine that matter.

Hearing Sub-Committee

To hear and determine any complaints which have been referred for investigation. To impose sanctions where a Councillor is found to have breached the Code of Conduct including the following:

1. Report the findings of the hearing to the Council for information
2. Recommend to the Councillors' Group Leader that the Councillor be removed from any or all Committees, Sub-Committees of the Council. Where Councillors do not belong to such a Group such recommendation could be made to full Council.
3. Recommend to the Leader of the Council that Councillor be removed from Cabinet or removed from particular portfolio responsibilities
4. Arrange training for a Member

Agenda Item 4

5. Recommend to Cabinet to remove a Councillor from an outside body appointment to which the Councillor has been appointed or nominated to by the Council
6. Dependent upon the nature of the breach, one of the following might be appropriate:
 - a. Withdrawal of facilities such as use of Council email, equipment etc
 - b. Exclusion of a Councillor from Council offices except to attend meetings

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Agenda Item 6

Report to: Audit & Governance

Date of Meeting: 27 June 20112

Subject: Doubtful Debt Provision - National Non-Domestic Rates

Report of: Head of Corporate Services & ICT **Wards Affected:** All

Is this a Key Decision? No

Is it included in the Forward Plan?
No

Exempt/Confidential

No

Purpose/Summary

To inform Members of the methodology for arriving at the doubtful debt provision for Business Rates.

Recommendation(s)

Audit & Governance Committee is requested to note the methodology for the calculation of the provision.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		Y	
2	Jobs and Prosperity		Y	
3	Environmental Sustainability		Y	
4	Health and Well-Being		Y	
5	Children and Young People		Y	
6	Creating Safe Communities		Y	
7	Creating Inclusive Communities		Y	
8	Improving the Quality of Council Services and Strengthening Local Democracy		Y	

Agenda Item 6

Reasons for the Recommendation:

To ensure that Audit & Governance Committee are fully apprised of the methodology used.

What will it cost and how will it be financed?

(A) Revenue Costs

None currently, as the provision is funded from central government.

(B) Capital Costs

None.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal	
Human Resources	
Equality	
1. No Equality Implication	<input type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

None.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance & ICT has been involved in the preparation of this report. (FD1623/12)

Legal Services (LD958/12) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

No.

Agenda Item 6

Implementation Date for the Decision

Immediately following the normal call-in period.

Contact Officer: Margaret Rawding Head of Corporate Finance & ICT

Tel: 0151 934 4082

Email: Margaret.rawding@sefton.gov.uk

Background Papers:

NNDR Doubtful Debt Provision working papers..

Agenda Item 6

1 BACKGROUND TO THE REPORT

- 1.1 A report upon the methodology for calculating the doubtful debt provision for Council Tax and Sundry Debtors was presented to Audit & Governance on 28 March 2012. At that meeting a request was made for a further report to be presented in June, regarding the methodology used to calculate the doubtful debt provision for National Non-Domestic Rates (Business Rates). The current methodology is set out below.
- 1.2 Presently, the Council acts as an agent of central government regarding the financial arrangements for managing National Non-Domestic Rates (NNDR). With specific regard to the collection of income and the potential shortfalls that need to be provided for doubtful debts, central government currently indemnify local authorities for this.
- 1.3 With effect from 1 April 2013, a new process is being introduced by the Government to determine how much a Council receives from NNDR i.e. Business Rates Localisation. Details of how the scheme will operate have yet to be finalised; This is mentioned briefly below. However, given the uncertainty as to the new arrangements, no account has been taken of this issue in this report.

2 METHODOLOGY

- 2.1 The current methodology involves, firstly, providing for 100% of all debts greater than 7 years old.
- 2.2 The second stage consists of analysing debt by year, by the various stages of the collection process that debt is passed through. These are as follows:

Demand
Reminder
Final
Liability order
14 day notice
Bailiff
Returned from Bailiff
Committal Pending
Statutory Demand
Debt Collection Agency
Returned from Debt Collector

The set-aside for doubtful debts is then determined by applying a percentage to the debt outstanding at these stages. This varies by year e.g. liability order debts outstanding from 2007 are 75% provided for, whilst those from 2006 are 90% provided for. The percentages used reflect the professional judgement of the Revenues Manager within Arvato Government Services; Council officers review the figures each year to ensure they are reasonable. A table of the percentages by stage, and year is included at [Appendix A](#).

Agenda Item 6

The fact that some debts are 100% provided for in the doubtful debt provision, does not mean that organisations in these categories are not pursued to collect the income. All avenues are followed until the debts deemed irrecoverable are approved for write off by Cabinet.

The provision set for the financial year 2011/12 was £3.020m (2010/11 £2.892m).

3 CHANGES WITH EFFECT FROM 2013/14

- 3.1 Currently the Council acts as an agent for the Government, and collects Business Rates on behalf of the Government. This is then distributed to councils via the Formula Grant.
- 3.2 From 2013/14 the collection of Business Rates will change so that instead of collecting the income on behalf of the Government, the Council will retain 50% and pass the remaining 50% over to the Government. The proportion passed to the Government will then be re-distributed in a way to yet be determined. From this it can be implied that any increase in the Business Rates doubtful debt provision would now impact both the Council and the Government by 50% each, whereas previously the full impact was upon the Government. However, the full detail of how the process will operate has yet to be outlined.
- 3.3 If the impact of any increase in the doubtful debt provision is to be shared 50% by the Council, the current methodology may need to be reviewed to ensure the Council is not adversely affected in any way in the future. Officers will be investigating this further in the coming months.
- 3.4 Audit & Governance Committee will be apprised as more detail of how the scheme will operate becomes available.

4 SUMMARY

- 4.1 Audit & Governance Committee is asked to note the report.

APPENDIX A

	Demand	Reminder	Final	Liability Order	14 Day Notice	Bailiff	Returned from Bailiff	Committal Pending	Stat Demand	Debt Collection Agency	Returned from Debt Collector	Write off
1999	100	100	100	100	100	100	100	100	100	100	100	100
2000	100	100	100	100	100	100	100	100	100	100	100	100
2001	100	100	100	100	100	100	100	100	100	100	100	100
2002	100	100	100	100	100	100	100	100	100	100	100	100
2003	100	100	100	100	100	100	100	100	100	100	100	100
2004	100	100	100	100	100	100	100	100	100	100	100	100
2005	1	3	100	100	100	100	100	100	100	100	100	100
2006	1	3	90	90	100	100	100	100	100	100	100	100
2007	1	3	75	75	75	90	100	100	100	100	100	100
2008	1	3	40	60	60	75	100	100	100	100	100	100
2009	5.0	25	20	40	40	60	100	90	90	100	100	100
2010	2.5	12	15	20	25	40	100	90	90	100	100	100
2011	2.0	5	8	10	15	25	100	80	80	0	0	100

Agenda Item 7

Report to: Audit & Governance Committee **Date of Meeting:** 27th June 2012

Subject: Internal Audit Annual Report 2011/12

Report of: Head of Corporate Finance & ICT **Wards Affected:** All

Is this a Key Decision? No

Is it included in the Forward Plan? No

Exempt/Confidential

No

Purpose/Summary

The Chief Internal Auditor's Annual Report provides Audit & Governance Committee with a review of Internal Audit activity for 2011/12 together with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment.

Recommendation(s)

Members are requested to:-

- (i) Note the report and the opinion arising from the work of the Internal Audit Service;
- (ii) Note the Self Assessment Review of Internal Audit contributing to the consideration of the system of internal control.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	✓		
2	Jobs and Prosperity	✓		
3	Environmental Sustainability	✓		
4	Health and Well-Being	✓		
5	Children and Young People	✓		
6	Creating Safe Communities	✓		
7	Creating Inclusive Communities	✓		
8	Improving the Quality of Council Services and Strengthening Local Democracy	✓		

Reasons for the Recommendation:

Internal Audit is a statutory requirement under the Accounts and Audit Regulations 2011. The Audit and Governance Committee are required to review and approve the Council's

Agenda Item 7

Annual Governance Statement (AGS). The CIA's opinion on the Council's control environment is a key contribution to the AGS.

What will it cost and how will it be financed?

There are no financial costs associated with the proposals in this report

(A) Revenue Costs

(B) Capital Costs

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal None
Human Resources None
Equality 1. No Equality Implication <input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated <input type="checkbox"/>
3. Equality Implication identified and risk remains <input type="checkbox"/>

Impact on Service Delivery:

Internal Audit provide assurance to the Council that Internal Controls are provided for within systems utilised across the Council providing for effective and efficient service delivery for the community.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance (FD1616/12) and Head of Corporate Legal Services (LD953/12) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

No

Implementation Date for the Decision

Immediately following the Audit & Governance Committee meeting.

Contact Officer: Janice Bamber, Chief Internal Auditor

Tel: 0151 934 4051

Email: janice.bamber@sefton.gov.uk

Background Papers:

The following papers are available for inspection by contacting the above officer(s).

Audit Plan

Audit Reports & Correspondence issued throughout the year

CIPFA Code of Practice for Internal Audit 2006

Accounts & Audit (Amendment) (England) Regulations 2006

Individual Audit Reports

Agenda Item 7

1. Introduction/Background

- 1.1 The Audit & Governance Committee is required to receive and consider the CIA's Annual Report and opinion on the overall control environment. Internal Audit is a key factor towards enabling the Council, through its Audit & Governance Committee, to review the internal control environment and contribute to the Annual Governance Statement.
- 1.2 The Chief Internal Auditors Annual Report for 2011/12 is attached. It has been compiled in accordance with the guidance provided in the CIPFA Code of Practice for Internal Audit. It also includes a review of the effectiveness of the system of internal audit undertaken as part of the review of the system of internal control.
- 1.3 The Audit & Governance Committee have also requested reporting on arvato's performance on benefit management, this report is also attached at Appendix B of the report.
- 1.4 The Chief Internal Auditor is required to provide an opinion on the overall adequacy and effectiveness of the Council's control environment. In providing this opinion it should be recognised that assurance can never be absolute and that Internal Audit can only provide reasonable assurance based upon the work undertaken during the year and the cumulative knowledge and experience within the Section of the systems and controls in place in the Council.
- 1.5 The results of the individual Audit reviews together with actions for improvements are reported throughout the year to Service Directors and relevant Departmental Managers. It is their responsibility to address these and establish sound systems, procedures and controls. The following table shows there has been a very high level of acceptance by Departments of the actions proposed by Internal Audit arising from their reviews (in respect of completed audit reviews for 2011/12).

	Proposed Actions	Agreed Actions	Actions Not Agreed	Awaiting Confirmation
Audit Reviews				
– Completed Audits	478	475	3	
– In Progress/Draft etc	0			0
Total	478	475	3	0

- 1.6 Whilst individually these reviews may have identified areas where systems and controls could be improved, Internal Audit considered that overall they were generally satisfied with the level of adequacy of controls across the Council.
- 1.7 Audit & Governance receive quarterly reports advising of the Audit reviews undertaken and any of the matters needing to be drawn to their attention. There were no issues of such significance that are required to be reported to Members during the year or brought to their attention at this Annual Report stage.
- 1.8 As part of the quarterly reports it was agreed that the CIA would report any instances of fraud to the Audit & Governance Committee. The CIA has presented a fraud report on a quarterly basis identifying referrals/notifications of suspected

Agenda Item 7

fraud, allegations of employee impropriety in order to ensure those charged with governance are kept apprised of issues arising throughout the Council. An annual fraud report has also been provided to Members as part of the Annual Reporting Requirements.

2. Conclusion

- 2.1 Given the above comments it is Internal Audit's opinion that it is reasonable to conclude that the Council continues to operate within an adequate and generally effective control environment.

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Corporate Finance & ICT Services Department Internal Audit Annual Report 2011/12

Page 47

Internal Audit Annual Report 2012/13
Date: 27th June 2012

Distribution List:

For Action

- Audit & Governance Committee
- Strategic Leadership Team

For Information

- Strategic & Service Directors
- Heads of Service

From

- Janice Bamber, Chief Internal Auditor

Internal Audit Section
Corporate Finance & ICT
2nd Floor, Magdalen House
30 Trinity Road, Bootle. L20 3NJ

Agenda Item 7

Contents

Contents

<u>Reference</u>	<u>Subject</u>
1	Introduction
2	The Internal Audit Service
3	Audit Service Delivery and Performance
4	Audit Reporting
5	Organisation, Staffing and Training
6	Internal Quality Assurance
7	Review of Internal Audit
8	Overall Audit Opinion on the Internal Control Environment

Annexes

- A Summary of Internal Audit Work 2010/11
- B Summary of Benefit Fraud Investigation Team Work 2010/11
- C Self Assessment Review of Internal Audit 2010/11

Page 48

Documentation Control	Date	Report Prepared By:	
Annual Report Prepared	June 2012	Janice Bamber	Chief Internal Auditor
Annual Report presented to Audit & Governance Committee	27 th June 2012		

1 Introduction

Introduction

- 1.1 The Internal Audit Service fulfils the Council's responsibilities under the Accounts and Audit Regulations 2011/817 which require the Council to maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control', and to conduct (at least annually) a review of the effectiveness of its system of Internal Audit.
- 1.2 The Chief Internal Auditor, is required by the CIPFA Code of Practice (CoP) for Internal Audit in Local Government in the UK 2006 to provide an Annual Report which summarises the work of the Internal Audit service and which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. This Annual Report fulfils those requirements and is a key factor in support of the Council's overall governance arrangements.
- 1.3 This Annual Report consolidates the previous quarterly reports to the Audit & Governance Committee and provides an opinion on the overall control environment.
- 1.4 During 2011/12, as part of the spending review following budget cuts from government funding, a review of the Corporate Finance & ICT Services Department has been undertaken. As part of this review a number of Sections have been amalgamated to form a Risk Team, including Health & Safety, Insurance, Risk and Emergency Planning / Civil Contingencies, this Team is now part of the Risk & Audit Service which the Chief Internal Auditor has been assigned responsibility for. The post is now termed Risk & Audit Service Manager; however, throughout the report the post is reference as the Chief Internal Auditor as it is in this role that this report is compiled.

2 The Internal Audit Service

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. (CIPFA CoP definition).
- 2.2 In order to provide this assurance the Audit Service provides internal audit services across all the Council's Departments, services and establishments in addition to the cross cutting themes e.g. Corporate Governance. The Audit Plan 2011/12 was presented in the form of a 3 month plan and a further 9 month plan and approved by Audit and Governance Committee at its meeting of 30th March 2011 and 29th June 2011 respectively. This has formed the basis of the work of Internal Audit. As advised the Plan was drawn up to enable a reasonable level of assurance to be provided to the Council, enable the CIA to provide an opinion for the Annual Governance Statement whilst being flexible and responsive to changes in the Council's audit requirements and priorities. Audit services are delivered through a variety of audit approaches briefly outlined in the following table.

Type of Audit	Focus/Examples
Systems Audits	Reviews of the main financial and departmental financial and management systems to report upon the adequacy of controls
Risk Based Audits	Reviews which focus on the risk facing the service
Information Services Audit	Reviews are undertaken across the full range of the Councils Information Services systems and related infrastructure together with advice on controls on development of new/revised systems
Contract and Procurement Audit	Reviews are undertaken on all aspects of Contract Audit and Procurement Audit. Departments also seek Contract Audit views and advice when considering contract/tendering issues.
Consultation and Advice	Internal Audit provides advice to Audit clients on the practical application of Regulatory Codes and Guidelines and the application of sound financial standards within systems and procedures.
Special Investigations	Internal Audit is always aware of the potential for fraud and corruption and will investigate relevant cases of suspected frauds/irregularities.
Value for Money Studies	Whilst value for money is implicit in all Audit work, specific exercises can be developed and undertaken in consultation/conjunction with Departments as resources allow.
Corporate Governance	Internal Audit is a fundamental factor in respect of the Corporate Governance of the Council. Its work contributes to the Councils Code of Corporate Governance and to the Council's Annual Governance Statement.

- 2.3 To facilitate their work, internal audit staff have unrestricted right of access to Council records, assets and personnel required in order to carry out their duties. These rights of access are contained in the Council's Constitution Financial Procedure Rules and Internal Audit Charter, which also sets out the essential terms of reference for the Internal Audit service.
- 2.4 Although the Council takes assurance from the work of Internal Audit it is however important to note that it is Managements responsibility to determine, implement and maintain systems of risk management, internal control and governance and for ensuring that they are operating within the Councils control environment. Internal Audit is an element of the internal control framework assisting management to effectively discharge their responsibilities by examining and evaluating controls.
- 2.5 Internal Audit's role is to give an independent opinion on the value and effectiveness of those controls, and where appropriate, give guidance on ensuring that corporate standards are in place.

3 Service Delivery and Performance

3.1 Audit and Governance Committee are provided with quarterly reports on the work of the Internal Audit service and a composite summary of the work of the section is attached at Annex A in respect of Internal Audit and Annex B in respect of Benefit Fraud Investigation Team. The table below summarises Planned and Actual Audit Days at Department level.

Summary Plan / Outturn 2011/12

<u>Audit Area</u>	<u>Audit Days</u>		<u>Indirect Time</u>	<u>Audit Days</u>	
	Plan	Outturn		Plan	Outturn
<u>Department/Service</u>			<u>Indirect Time</u>		
Chief Executive	699	300	CIA Management	72	72
People	369	210	Training	62	84
Place	430	271	Supervision & Management	158	316
			Indirect time (inc. Leave, Sick etc.)	548	563
Contract Audit	50	73			
Grant Certification	20	24			
Advice, Consultancy & Investigations	300) 620	Staffing Reduction		141
Risk Registers	50)	Secondment		84
Corporate Governance	40	15	Shared Maternity/Paternity		40
Transformation					
Total– direct Audit work to Departments/ Services	1958	1512	Total Indirect Time	840	1286
Total Days				2798	2798

Key points and indicators drawn from the above are as follows:-

- i) There has been an increase in Advice, Consultancy and Investigations in 2011/12, with 300 days planned and 620 days actual; this has included time spent on Risk Management following the transfer of responsibility to the Chief Internal Auditor;
- ii) The staffing reduction of 141 days refers to a Senior Auditor who was absent for a period and subsequently left;

- iii) The secondment refers to another Senior Auditor who was seconded to Merseyside Police for a period of 84 days;
- iv) Another Senior Auditor has also taken shared maternity / paternity and this equated to 40 days in 2011/12, this has continued into 2012/13.

- 3.3 There has also been an increase in the Supervision and Management element which includes Monitoring and reporting on Internal Audit, attendance at Audit & Governance Committee, Staff meetings, Corporate Staff briefings and Audit Improvements; this is due to a number of reasons including increased attendance at Staff Briefings due to the review / restructure of Corporate Finance and ICT Services, increased staff meetings due to the amalgamation of the Teams, changes and developments in working practices / processes and the introduction of regular 1 to 1 sessions for all staff.
- 3.4 Sickness absence for the year amounted to some 75 days, compared with a planned sickness level of 43 days. All Council policies were complied with in the managing of sickness absence. This is a reduction on previous years with sickness levels for 2010/11 being 124 days.
- 3.5 Ensuring client satisfaction is important to the Section and a good indicator of quality. As in previous years Client Surveys have been undertaken enabling the Section to monitor client satisfaction with its work. The surveys cover thirteen individual aspects of audit work in the categories 'Planning and Consultation', 'Audit Approach', 'Communications', 'Quality of Audit Report' and 'General Aid to Client Management'. The surveys showed a high level of client satisfaction with the Audit Service; 96% rated the service in the categories 'Very Good / Good' (target 90%). Again there were occasions where unsolicited comments were received expressing appreciation for Audit work or thanking the individual Auditor.

4 Reporting

- 4.1 Audit reports which include the scope, findings, conclusions, opinion and proposed actions arising from the audit review are issued to Directors/Managers as appropriate who are required to respond to the issues raised. A measure of the quality of the review is the level of acceptance by the client of the actions proposed by Audit. The Section has a target of 80% acceptance level. Monitoring of this shows an acceptance level of 99.4% in respect of completed audit reviews in 2011/12 as shown in the table below.

Action Status	Audit Review – Status		Draft/Final Report	Total
	Completed Review			
	No	%	No	No
Proposed Recommendations	478		0	478
Agreed Recommendations	475	99.4		475
Recs Not Agreed	3	0.6		3
Awaiting Confirmation		–	0	
	478	100%	0	478

- 4.2 Additionally Audit and Governance Committee at their quarterly meeting are provided with reports summarising the work undertaken by Internal Audit. In respect of each Audit review Members are advised of the Auditor’s opinion on the overall control environment applying to that subject based on the Auditors Assessment on the extent to which the system control objectives have been met and whether there are any issues which need to be brought to the attention of Members or to be recommended for consideration for the Annual Governance Statement. A composite summary of the work of the section is attached at Annex A in respect of Internal Audit and Annex B in respect of Benefit Fraud Investigation Team, which as members are aware, is now part of arvato government services.

5 Organisation, Staffing and Training

- 5.1 The Section is managed by the Chief Internal Auditor who reports directly to the Head of Corporate Finance & ICT and had a planned establishment of 10 posts excluding the Chief Internal Auditor. During 2010/11, as part of the budget review exercise, a review / restructure of the Corporate Finance & ICT Services Department was undertaken, this resulted in the amalgamation of Sections relating to risk and Audit to create the Risk & Audit Service, this is split into 2 Teams – Risk and Audit. The Risk Team includes the Health & Safety, Insurance, Risk and Emergency Planning / Civil Contingencies Teams. The Chief Internal Auditor was assigned responsibility of this Service in January 2012 and her role is now the Risk and Audit Service Manager.
- 5.2 As part of this review the Audit Team has been permanently reduced from 10 posts to 8 (excluding the Chief Internal Auditor). There has also been a reduction from 2 Audit Managers to 1, however, a Computer Auditor post has been re-introduced in order to ensure assurance in provided in respect of ICT.
- 5.3 During 2011/12 the Section were running under resourced due to the following reasons:-
- i) One Senior Auditor was seconded to the Merseyside Police Authority for a period of 84 days;
 - ii) One Senior Auditor left on the 30th November 2011 after a period of absence this equated to 141 days in total;
 - iii) One Senior Auditor has taken shared maternity / paternity leave from February 2012 to August 2012, the period from Feb to end of March had not been planned for in the 2011/12 Audit Plan.
- 5.4 The Internal Audit Team is structured to provide for the range of professional audit skills required to deliver a comprehensive Audit Plan and the establishment provides for a mix of suitably qualified, part qualified and experienced staff. The Section is well represented in terms of qualified and experienced staff.

6 Quality Assurance Processes

- 6.1 In order to ensure the quality of the work undertaken by the Section there are a number of quality measures in place which includes:
- Supervision of staff conducting audit work;
 - Review by CIA/Audit Managers as appropriate of Audit Reports (through various stages from pre draft to final) and of working papers;
 - Annual appraisal of staff through Performance and Development Reviews and identification of training needs;
 - Provision of training (professional qualifications, seminars, in house etc) relevant to needs;
 - The maintenance of the Sections Internal Audit Manual;
 - Availability of technical information, publications and guidelines e.g. CIPFA Audit Matrices, to all staff;
 - Client Satisfaction Surveys;

7 Review of Internal Audit

- 7.1. The Accounts and Audit Regulations 2011 require that at least once a year there should be a review conducted of the effectiveness of the system of internal audit. The findings of such review are considered as part of the consideration of the system of internal control which is part of the process for compiling the Annual Governance Statement.
- 7.2. The CIPFA Code of Practice for Internal Audit 2006 (CoP) is recognised as the authoritative guideline setting out the Standards by which all Councils' Internal Audit Sections should operate. The Code has a Checklist of Compliance which enables a self review to be undertaken to test compliance with the Code. Given there are no definitive guidelines determining how such review should be undertaken or by whom, a detailed self review is an acceptable approach commonly used by Audit Sections to review the system of internal audit. This approach has been adopted for the 2011/12 review.
- 7.3. The review checklist is in the format of a matrix of questions designed to test the level of compliance to each of the 11 Standards set for Internal Audit in the CoP. Levels of adherence to the Standards can be assessed as full, partial or not. Partial or not adhered assessments do not necessarily point to weaknesses in the system of Internal Audit; there may be specific reasons or perhaps compensating measures in place and these are identified in the Assessment. Evidence and comment is provided where relevant to support each of the assessments.
- 7.4. The review has been a thorough self assessment by the CIA and Audit Managers. The completed self assessment checklist is attached to this report at Annex D. It is pleasing to note that in the majority of cases the Section fully complies with the Standards in the CoP with only a few areas of only partial or non compliance. Where these have been identified they have formed the basis of actions for improvements in the Action Plan attached with the Self Assessment Matrix.
- 7.5. It is considered that from the outcome of both these reviews Audit and Governance Committee can take assurances on the effectiveness of the system of Internal Audit and that such assurances contribute to the review of the system of internal control for the AGS.

8 Overall Audit Opinion on the Internal Control Environment

- 8.1 The CIPFA Code of Practice for Internal Audit 2006 requires the CIA in the Annual Audit Report to provide an opinion on the overall adequacy and effectiveness of the Council's control environment and to advise whether there are any qualifications to such opinion.
- 8.2 In providing this opinion it should be recognised that assurance can never be absolute and that Internal Audit can only provide reasonable assurance based upon the work undertaken during the year and the cumulative knowledge and experience within the Section of the systems and controls in place in the Council.
- 8.3 Throughout the year the Audit and Governance Committee have been apprised of the audit reviews undertaken (summarised at Annex A) and the CIA is satisfied that there has been sufficient internal audit work on which to form a reasonable opinion on the Council's internal control environment. There have been no issues raised either specifically for the attention of Members or for consideration for the AGS. From their work Internal Audit concluded that they were generally satisfied with the level and adequacy of controls.
- 8.4 As such in Internal Audit's opinion it is reasonable to conclude that the Council continues to operate within an adequate and generally effective overall control environment.

Appendix A - Progress Against Plan 2011/12

Planned Work	Status	Opinion	Recommendations		Draft	Action	Final	Job
			Proposed	Agreed	Sent	Plan Ret	Sent	Closed
2010/11 C/FWD								
CORPORATE SERVICES								
Corporate Finance & IS								
Client Functions								
Client Team - Payroll	Completed	Fair	5	5	28/09/2011	28/03/2012	30/03/2012	30/03/2012
Financial Processes								
Accounts Payable Council Processes	Completed	Weak	16	16	10/08/2011	30/09/2011	30/09/2011	30/09/2011
Payroll Council Processes	Completed	Fair	14	14	12/12/2011	27/01/2012	20/03/2012	20/03/2012
Accounts Receivables Council Processes	Completed	Good	9	9	03/08/2011	30/09/2011	30/09/2011	30/09/2011
Bank Reconciliation	Completed	Fair	8	8	30/03/2012	30/03/2012	30/03/2012	30/03/2012
Financial Management								
Capital Programme/Accounting	Completed	Good	2	2	13/07/2011	30/08/2011	14/07/2011	30/08/2011
Information Services								
Data Protection	Completed	Good	6	6	30/03/2012	30/03/2012	30/03/2012	30/03/2012
Mobile Phones Devices / Compliance with Policy	Completed	Poor	12	12	11/07/2011	30/03/2012	30/03/2012	30/03/2012
Corporate Personnel								
Policy & Operation								
Sickness Absence Procedure/Reporting	Completed	Fair	4	4	17/06/2011	20/10/2011	02/08/2011	27/10/2011
Universal & Learning Services								
Our Lady Queen of Peace Catholic Primary	Completed	Good	8	8	06/10/2010	23/09/2011	06/10/2010	23/09/2011
Hillside High	Completed	Good	10	10	16/09/2010	17/06/2011	16/09/2010	17/06/2011
Formby High	Completed	Good	7	7	06/10/2010	11/07/2011	06/10/2010	11/07/2011
St Phillip's Primary (Southport)	Completed	Good	11	11	25/11/2010	15/07/2011	18/07/2011	18/07/2011
Trinity St Peters Primary	Completed	Fair	7	6	17/03/2011	01/04/2011	24/06/2011	24/06/2011
Our Lady of Lourdes Catholic Primary	Completed	Fair	23	23	02/06/2011	03/10/2011	04/10/2011	04/10/2011
Forefield Infants	Completed	Good	6	6	04/05/2011	11/11/2011	11/11/2011	17/11/2011
All Saints Primary	Completed	Fair	10	10	03/03/2011	04/05/2011	18/07/2011	18/07/2011
Crosby High	Completed	Good	5	5	14/04/2011	03/08/2011	09/08/2011	09/08/2011
Freshfield Primary	Completed	Very Good	4	3	27/05/2011	14/11/2011	15/11/2011	17/11/2011
Deyes High	Completed	Fair	9	9	09/06/2011	13/06/2011	14/06/2011	14/06/2011
Student Travel Passes	Completed	Fair	9	9	15/07/2011	09/09/2011	15/09/2011	15/09/2011

Planned Work	Status	Opinion	Recommendations		Draft	Action	Final	Job
			Proposed	Agreed	Sent	Plan Ret	Sent	Closed
COMMUNITIES								
Operational Services								
Taxi Licencing	Completed	Good	6	6	30/08/2011	12/09/2011	12/09/2011	30/09/2011
Security Services Follow-up	Completed	Fair	13	13	01/09/2011	06/09/2011	27/09/2011	27/09/2011
Environmental & Technical Services								
Client Team - Technical Services	Completed	Weak	30	30	21/04/2011	30/03/2012	30/03/2012	30/03/2012
Car Parking	Completed	Fair	16	16	03/10/2011	20/12/2011	09/02/2012	09/02/2012
Planning & Economic Development								
Sefton at Work	Completed	Fair	4	3	17/06/2011	14/07/2011	14/07/2011	14/07/2011
SOCIAL CARE & WELL-BEING								
Adult Social Care								
Domiciliary Care	Completed	Fair	5	5	14/10/2011	06/01/2012	06/01/2012	06/01/2012
Community Equipment Service Follow-Up	Completed	Weak	15	15	01/09/2011	02/11/2011	16/09/2011	02/11/2011
Leisure & Tourism								
Beach Car Parking	Completed	Weak	9	9	06/04/2011	07/06/2011	14/06/2011	14/06/2011
Meadows Leisure Centre	Completed	Fair	18	18	23/02/2012	20/03/2012	20/03/2012	26/03/2012
TIC follow up	Completed	Weak	7	7	22/11/2011	16/12/2011	04/01/2012	04/01/2012
2011/12								
CORPORATE GOVERNANCE								
Corporate Governance (Annual Governance Statement & Review of Internal Audit)	Completed	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Review of Accounting Instructions/Financial Procedure Rules	Completed	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Corporate Plans & DSPs	Completed	N/A	N/A	N/A	N/A	N/A	N/A	N/A
VALUE FOR MONEY								
Corporate Reviews								
Delivering Budget Savings								
Data Use & Duplication (eg CTAX/Planning)								
Public Consultation								
People - Young People & Families								
Leasing for Schools								

Planned Work	Status	Opinion	Recommendations		Draft	Action	Final	Job
			Proposed	Agreed	Sent	Plan Ret	Sent	Closed
Place - Built Environment								
Core Strategy/Planning								
New Homes Bonus	In Progress							
PROBITY/COMPLIANCE								
Corporate Reviews								
Exposure to Equality Impacts and Effectiveness								
Means Tested Benefits								
Discounts allowed across Council								
Audit of Financial Skills								
Ordering Compliance/Procurement								
People - Young People and Families								
Great Crosby RC Primary	Completed	Good	9	9	17/06/2011	05/09/2011	06/09/2011	06/09/2011
Holy Rosary RC Primary	Completed	Very Good	3	3	21/06/2011	28/09/2011	05/10/2011	05/10/2011
Birkdale Primary	Completed	Good	7	7	20/06/2011	29/07/2011	04/08/2011	04/08/2011
Fostering B/F	Completed	Fair	10	10	16/01/2012	20/02/2012	23/02/2012	23/02/2012
Springbrook Children's Home B/F	Completed	Good	5	5	21/11/2011	22/11/2011	01/12/2011	01/12/2011
Melrose Children's Home B/F	Completed	Fair	11	11	30/01/2012	01/02/2012	02/02/2012	28/02/2012
Schools Value Standard	Completed	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Safeguarding (Adults & Children)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Eligibility for Free School Meals								
People - Older People								
Income Collections Systems								
Netherton Activity Centre - Project Group								
Crosby Lakeside Activity Centre B/F								
Crosby PFI								
Place - Built Environment								
Planning and Building Control	Completed	Good	8	8	16/02/2012	24/02/2012	27/02/2012	27/02/2012
Land Charges	Completed	Very Good	2	2	08/03/2012	12/03/2012	21/03/2012	29/03/2012
Homelessness	Completed	Fair	10	10	06/02/2012	02/03/2012	27/02/2012	02/03/2012
Carbon Reduction Commitment	Completed	Fair	17	17	05/08/2011	03/11/2011	03/11/2011	08/11/2011
Staff Car Parking								
Events								
Concessions/Agreements/Licences								
Cycle Hire	In Progress							

Planned Work	Status	Opinion	Recommendations		Draft	Action	Final	Job
			Proposed	Agreed	Sent	Plan Ret	Sent	Closed
Place - Street Scene								
Refuse Collection Trade & Domestic								
Coroners B/F	Completed	Fair	15	15	31/01/2012	30/03/2012	30/03/2012	30/03/2012
Chief Executive - Corporate Support Services								
Cheque Investigations	Completed	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Council Tax Write Offs	Completed	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefits Write Offs	Completed	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NNDR Write Offs	Completed	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Over £25K payment checks	Completed	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Conveyancing	Completed	Good	3	3	30/01/2012	24/02/2012	23/02/2012	27/02/2012
IS Security Policy - Compliance B/F	Completed	Poor	10	10	16/01/2012	30/03/2012	30/03/2012	30/03/2012
Cash/Income Collection								
Procurement								
Emergency Planning/Business Continuity								
Client Management Team								
Health and Safety								
Chief Executive - Corporate Commissioning								
Mayor's Charity Fund	Completed	Good	4	4	27/10/2011	N/A	11/11/2011	11/11/2011
ANTI-FRAUD/NFI								
Corporate Reviews								
Review of compliance with Managing the Risk of Fraud								
People - Older People								
NFI - Private Care Homes	Completed	Good	2	2	30/03/2012	30/03/2012	30/03/2012	30/03/2012
Place - Built Environment								
NFI - Blue Badge	Completed	Weak	5	5	30/03/2012	30/03/2012	30/03/2012	30/03/2012
NFI - Residents Parking	Completed	Good	0	0	30/03/2012	N/A	30/03/2012	30/03/2012

Planned Work	Status	Opinion	Recommendations		Draft	Action	Final	Job
			Proposed	Agreed	Sent	Plan Ret	Sent	Closed
Chief Executive - Corporate Support Services								
NFI - Insurance	Completed	Good	0	0	29/02/2012	N/A	29/02/2012	29/02/2012
NFI - Payroll	Completed	Good	2	2	30/03/2012	30/03/2012	30/03/2012	30/03/2012
NFI - Suppliers/Salary	In Progress							
NFI - Accounts Payable	Completed		2	2	30/03/2012	30/03/2012	30/03/2012	30/03/2012
<u>PROJECT SUPPORT WORK</u>								
Corporate Reviews								
Pre-Payment Cards	Completed	N/A	N/A	N/A	N/A	N/A	07/12/2012	07/12/2012
Embedded Procurement Cards	Completed	N/A	N/A	N/A	N/A	N/A	07/12/2012	07/12/2012
People - Older People								
Liquid Logic (Replacement of Swift)	In Progress							
Place - Street Scene								
New Services within Street Scene								
Built Environment								
Taxi Licensing Transformation	Completed	N/A	N/A	N/A	N/A	N/A	12/12/2011	12/12/2011
<u>CONTRACT AUDIT</u>								
Pre-Contract	Completd	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
Final Accounts	Completed	N/A	N/A	N/A	N/A	N/A	13/02/2012	13/02/2012
<u>GRANT CERTIFICATIONS</u>								
Child Poverty Grant	Completed	N/A	N/A	N/A	N/A	N/A	01/07/2011	01/07/2011
Play Capital Grant	Completed	N/A	N/A	N/A	N/A	N/A	16/06/2011	16/06/2011
Innovative Management (for Europe's changing) Coastal Resource (IMCORE) Jan - June 2011	Completed	N/A	N/A	N/A	N/A	N/A	03/08/2011	03/08/2011
Assessing Sustainability & Strengthening Operational Policy (SUSTAIN) Jan - June 2011	Completed	N/A	N/A	N/A	N/A	N/A	30/08/2011	30/08/2011

Planned Work	Status	Opinion	Recommendations		Draft	Action	Final	Job
			Proposed	Agreed	Sent	Plan Ret	Sent	Closed
Innovative Management (for Europe's changing) Coastal Resource (IMCORE) July - Dec 2011	In Progress	N/A	N/A	N/A	N/A	N/A	23/02/2012	08/03/2012
Assessing Sustainability & Strengthening Operational Policy (SUSTAIN) July - Dec 2011	Completed	N/A	N/A	N/A	N/A	N/A	15/02/2011	15/02/2011
CONSULTANCY								
Manual Purchase Orders	Completed	N/A	N/A	N/A	N/A	N/A	N/A	16/11/2011
IFRS Employee Leave/Flexi	Completed	N/A	N/A	N/A	N/A	N/A	15/06/2011	15/06/2011
Planning Income Procedures	Completed	N/A	5	5	N/A	N/A	27/07/2011	27/07/2011
Payroll CHAPS Payments	Completed	N/A	1	1	N/A	N/A	23/06/2011	23/06/2011
NNDR Payments	Completed	N/A	1	1	N/A	N/A	01/06/2011	01/06/2011
SWORD/Contract Cert	Completed	N/A	4	4	N/A	N/A	07/06/2011	07/06/2011
Payments to Self Employed Persons	Completed	N/A	N/A	N/A	N/A	N/A	21/06/2011	21/06/2011
Procurement cards - Southport Arts Centre	Completed	N/A	1	1	N/A	N/A	06/10/2011	06/10/2011
Birkdale High School Bank Account	Completed	N/A	N/A	N/A	N/A	N/A	06/07/2011	07/07/2011
Volunteer Expenses	Completed	N/A	2	2	N/A	N/A	29/07/2011	29/07/2011
Resourcelink - Staffing Budgets	Completed	N/A	N/A	N/A	N/A	N/A	29/09/2011	29/09/2011
Insurance Payments by BACS	Completed	N/A	N/A	N/A	N/A	N/A	22/09/2011	30/09/2011
Land Charges Fees	Completed	N/A	N/A	N/A	N/A	N/A	05/07/2011	05/07/2011
Children with disabilities	Completed	N/A	N/A	N/A	N/A	N/A	18/10/2011	18/10/2011
Authorised Signatories	Completed	N/A	N/A	N/A	N/A	N/A	N/A	10/05/2011
Range High School Bank Account	Completed	N/A	N/A	N/A	N/A	N/A	31/10/2011	31/10/2011
Community Equipment Stores Section 75 Agreement	Completed	N/A	N/A	N/A	N/A	N/A	06/09/2011	02/11/2011
Hunter Kane Ltd	Completed	N/A	3	3	N/A	N/A	26/07/2011	28/09/2011
Joseph Harley Bequest Fund	Completed	N/A	N/A	N/A	N/A	N/A	N/A	23/11/2011
Budget Monitoring Workshop	Completed	N/A	N/A	N/A	N/A	N/A	N/A	23/11/2011
Pericles Data Migration	Completed	N/A	N/A	N/A	N/A	N/A	19/01/2012	19/01/2012
CM93 Payments	Completed	N/A	N/A	N/A	N/A	N/A	28/11/2011	28/11/2011
Duplicate Housing Benefit Payments Run	Completed	N/A	4	4	N/A	N/A	13/02/2012	13/02/2012
Fostering Services - Home improvements	Completed	N/A	N/A	N/A	N/A	N/A	17/02/2012	20/02/2012
Green Finance	Completed	N/A	N/A	N/A	N/A	N/A	06/01/2012	09/02/2012
Planning Value for Money	Completed	N/A	N/A	N/A	N/A	N/A	07/12/2011	07/12/2011
I Proc Tolerances	Completed	N/A	N/A	N/A	N/A	N/A	11/01/2012	11/01/2012
Cycle Hire	Completed	N/A	N/A	N/A	N/A	N/A	07/12/2011	07/12/2011

Planned Work	Status	Opinion	Recommendations		Draft	Action	Final	Job
			Proposed	Agreed	Sent	Plan Ret	Sent	Closed
Crosby Lakeside Coffee Machines	Completed	N/A	N/A	N/A	N/A	N/A	26/10/2011	05/01/2012
Client Contributions	Completed	N/A	N/A	N/A	N/A	N/A	13/12/2011	13/12/2011
Academies	Completed	N/A	N/A	N/A	N/A	N/A	N/A	20/02/2012
Farnborough Juniors - Parentmail and Pay	Completed	N/A	N/A	N/A	N/A	N/A	N/A	16/02/2012
Swimming Lessons	Completed	N/A	17	17	N/A	N/A	09/02/2012	09/02/2012
Council Tax Single Person Discount	Completed	N/A	N/A	N/A	N/A	N/A	07/02/2012	07/02/2012
Crosby Lakeside Duplicate Invoice	Completed	N/A	2	2	N/A	N/A	25/01/2012	25/01/2012
Leisure Centre Direct Debit Collections	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
School Bank Accounts (c/fwd into 2012/13)	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
School Full Bank Accounts	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
My View Expenses and Car Mileage	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
Write Off Proposal	Completed	N/A	N/A	N/A	N/A	N/A	06/12/2011	06/12/2011
Credit Management Policy	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
Direct Payments (Carers Centre)	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
Energy Consumption Carbon Reduction	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
Trading Services (c/fwd into 2012/13)	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
Annual Billing Checks	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
Council Tax Salary Deductions	Completed	N/A	N/A	N/A	N/A	N/A	31/01/2012	31/01/2012
Meadows 3rd Party arrangements	Pre Draft Report	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
Locker Thefts	Completed	N/A	5	5	N/A	N/A	30/03/2012	30/03/2012
Foster Carer Vehicles	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
Hillside School Car Parking	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
REECH Project Verification Process	Completed	N/A	N/A	N/A	N/A	N/A	30/03/2012	30/03/2012
NATIONAL ANTI FRAUD NETWORK								
Franking Supplies UK	Completed	N/A	N/A	N/A	N/A	N/A	16/11/2011	16/11/2011
ADVICE								
There have been 57 requests for Advice in the period								

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BENEFIT FRAUD INVESTIGATION TEAM



ANNUAL REPORT

2011 / 2012

Agenda Item 7

BENEFIT FRAUD INVESTIGATION TEAM

The Benefit Fraud Investigation Team (BFIT) is specifically responsible for the investigation of suspected Housing and Council Tax Benefit fraud in Sefton. The work of the team is guided by analysis and risk assessment of fraud in the benefits sector and its area of work up to 30 September 2008 was incorporated in the Internal Audit Plan. On 1st October 2008, BFIT was transferred to arvato Public Sector Services, Sefton and continues to remain under the control of the Benefits Manager.

The following provides a brief commentary on the main areas of the activity of the BFIT in 2011/12

Referrals

The BFIT received 915 referrals (compared to 724 in 2010/11) for investigation and in addition generated 34 cases from its own proactive work. The increase in the number of referrals received is due in part to an increase in the number of data-matched referrals received in respect of the Audit Commission's National Fraud Initiative (NFI) and the new Credit Reference Agency (CRA) data-matches received as part of the normal Housing Benefit Matching Service (HBMS matches). This could also be due to an increase in the benefit caseload due to the current economic climate.

The following tables show the main sources of referrals and the category of referral.

<u>Source</u>	<u>Nos</u>	<u>%</u>	<u>Category</u>	<u>Nos</u>	<u>%</u>
Housing/Council Tax Benefits	187	20	Residency	285	30
			Undeclared income	170	18
Data Matching (HBMS/NFI)	484	53	Undeclared capital	61	6
Anonymous Information	96	10	Living Together	239	26
Other Council Departments	18	2	Working	86	9
External (DWP, Police etc)	130	15	Household – incl Non-deps	80	8
			Tenancy related	26	3
			Fraud Drives	0	-
	<u>915</u>	<u>100</u>	ID fraud	1	-
			SOD/Exemptions	1	-
Proactive	<u>34</u>		Other	-	-
	<u>949</u>			<u>949</u>	<u>100</u>

Completed Investigations

During the year, 904 investigations were completed (734 in 2010/11).

The following tables analyse the results of the last two years:

<u>Category of Closure</u>	<u>2011/12</u>		<u>2010/11</u>	
	<u>Nos</u>	<u>%</u>	<u>Nos</u>	<u>%</u>
Fraud proven	185	21	240	33
Incorrect Benefit	21	2	22	3
Not Resident	49	6	41	6
Living Together (now incorporated in fraud proven/incorrect benefit)			-	-
Earnings declared (as above)			-	-
Passed to DWP	4	1	5	1
No fraud established	<u>645</u>	<u>70</u>	<u>426</u>	<u>57</u>
	<u>904</u>	<u>100</u>	<u>734</u>	<u>100</u>

The above table highlights the following points:

There has been an increase in the number of cases investigated from the previous year, largely due to the BFIT receiving more data-matched referrals for investigation. In total a successful result was recorded on 255 cases (303 in 2010/11). These results include cases closed as fraud proven, not resident and incorrect benefit. This represents a success rate of 29%, which is lower than that achieved in the previous year (41% in 2010/11). Of the 645 cases closed no fraud, 308 (48%) were as a result of HBMS referrals, including the new 'CRA' matches as identified above. During 2011/12, 154 'CRA' matches were closed no fraud, representing 24% of the overall cases closed no fraud. The apparent poor quality of these types of referrals has been previously identified in the latest Audit and Governance Report for the quarter Nov '11 to Feb '12 (inclusive) and it may therefore be necessary to reassess our approach to these types of referrals in order to make best use of resources.

Data Matching Initiatives

The BFIT continues to participate in the two main data matching initiatives, the Housing Benefit Matching Service (HBMS) run by the DWP, and the National Fraud Initiative (NFI) run by the Audit Commission. Work has been continuing on the latest data matches released by the Audit Commission as part of the National Fraud Initiative 2011 and details of the outcome of this work is included below.

HBMS

Over the year 390 (184 in 2010/11) referrals were received from the DWP Housing Benefit Matching Service (HBMS). The increase in the number of these referrals is mainly due to the new 'CRA' matches, as mentioned previously. Many of the HBMS referrals have been dealt with directly by the BFIT; however, some referrals continue to be processed by the Benefits Section, where information held by the Council should facilitate the timely reassessment of benefits claims.

Overall, the majority of the HBMS referrals received by BFIT are usually of a fairly high quality - identifying undeclared work, capital, pension and other benefits etc, however, the quality of the credit reference agency matches, which are used to identify, for example, non residency and undeclared partners etc have so far proved disappointing and this is reflected in the results shown below. In the year investigations were completed on 412 cases derived from the HBMS. Of the 394 requiring some form of fraud investigation, positive results were recorded on 86 cases (22%). Of the 115 Sanctions (prosecutions, cautions and administrative penalties) achieved in 2011/1, 39 (34%) have been as a result of HBMS referrals. Therefore, despite the apparent poor-quality of the 'CRA' matches, many referrals from the Housing Benefit Matching Service continue to provide some good results for the BFIT.

NFI

The National Fraud Initiative is a data matching exercise run every two years by the Audit Commission. This exercise matches data nation-wide from various sources, including Housing Benefits, Housing Rents, Payroll, Pensions, Asylum Seekers, Student Awards, and Creditors etc.

All matches identified from the exercise are sent to the relevant Councils for investigation. Due to the amount of 'mis-matches' and non-fraudulent matches in the NFI output, arising from the allowed tolerance levels in the matching rules eg. 'fuzzy matches' where 4 out of 6 digits in the date of birth match, it requires a considerable amount of sifting before direct investigative work can commence on identified potential fraud.

Agenda Item 7

The Council has recently received access to the latest matches via the NFI secure website and work is continuing to sift through the output and set up any appropriate cases for further investigation. NFI has identified 3,682 matches in total with 531 recommended for possible investigation. So far, 551 NFI referrals have been checked for possible fraud or discrepancies and necessary further action. Of the 94 cases set up for further investigation, 41 have been closed no fraud, 4 are currently awaiting a reassessment of benefit, 43 are still being investigated and 6 have been closed with positive results. So far, overpayments totalling just over £25k have been recorded in respect of these referrals.

Pro-active work.

The BFIT generated 34 cases through its own proactive enquiries during the year (135 for the year 2010/11). These referrals mainly arose as a result of investigations leading on from overpayments created in respect of housing and council tax benefits. Of the 46 proactive cases that have been investigated during 2011/12, 21 have been closed 'no fraud' (46%), 0 have been closed 'not resident', 7 have been closed 'incorrect benefit' (15%) and 18 have been closed 'fraud proven' (39%). Positive results have therefore been recorded on 54% of the proactive cases investigated during 2011/12.

Prosecutions / Sanctions

The BFIT continues to implement the Sanctions and Prosecutions Policy which not only includes prosecutions through the Courts but also enables the BFIT to offer other Sanctions as alternatives to prosecution. These include Local Authority Cautions (similar to a Police Caution) and Administrative Penalties (where the claimant agrees to pay an additional 30% on top of the existing benefit overpayment). Changes to administrative penalties have been made as part of the Welfare Reform Bill. This means that, from May 2012, a flat rate admin penalty of £350 can be offered as an alternative to prosecution where an attempt to claim benefit only has been made – ie, where an offence has been committed, but no benefit has been paid. In addition, the 30% rate of administrative penalty will increase to 50% in some cases, with a maximum administrative penalty of £2000 being introduced.

The following table shows the breakdown of the 115 sanctions recorded during the year:

<u>OFFENCE</u>	<u>PROSECUTION</u>	<u>LA CAUTION</u>	<u>ADMIN PENALTY</u>
Failing to declare employment	4	8	2
Failing to declare other income	8	23	2
Failing to declare capital	4	10	6
Failing to declare other partners resident	10	14	-
Contrived Tenancy	-	3	1
Not resident at property	1	15	-
ID Fraud	1	-	-
Landlord	-	-	-
Household (Non Dep)	-	2	-
Other	-	-	-
TOTALS	28	76	11

The 28 prosecutions listed above involved benefit frauds covering not only Council benefits (HB/CTB) but also DWP benefits (JSA/IS) totalling just over £370k.

Agenda Item 7

The Courts imposed a variety of sentences including: Imprisonment (3) Suspended Sentence (4), Curfew Orders (9) Community Penalties (7), Fines (3), Conditional Discharges (2), Warrants outstanding (-)

Although BFIT Officers do not have the right to appear before the Magistrates Court in order to present prosecution cases, they maintain a good working relationship with the Council's Legal Department - who continue to check files and present cases at both North and South Sefton Magistrates Courts on behalf of the Team.

An example of joint working

On 17th May 2011, Macica Hlicia, formerly of 16 Blossom Street, Bootle was found 'guilty' at Southwark Crown Court relating to charges of 'conspiracy to defraud contrary to common law' and included charges against the Department for Work and Pensions (DWP), Her Majesty's Revenue and Customs (HMRC) and 'England and Wales Local Authorities'. After liaising with the DWP Fraud Team in Birmingham evidence was received by the BFIT to suggest that Hlicia's claim for housing and council tax benefit was fraudulent on the grounds that she was, in fact, Dorina Dumitru - a Romanian who had been created a false identity in order to obtain benefits. As a result, 'Hlicia's' claims for income support, housing and council tax benefit were cancelled, creating total overpayments of £12,314.61. As a result of making these fraudulent claims, Dumitru received a 2 year custodial sentence. As part of this investigation, checks were also conducted in relation to claims for income support, housing and council tax benefit made by Marian Gheorghe, formerly of 9 Antonio Street, Bootle. These enquiries showed that Gheorghe had no entitlement to reside within the UK and as such had no recourse to public funds. As a result, her claims to these benefits were reassessed, creating total overpayments of £42,363.42. She was charged under the same legislation and on 21st May 2011 received a custodial sentence of 2 years and 4 months.

Administrative Penalties

Income from accepted Administrative Penalties this year will amount to £5821.95 once collected. This money is paid by various methods ranging from full payments immediately to payment by instalments.

Benefit Savings and Overpayments

As a result of BFIT investigations throughout the year, overpayments of benefit (housing and council tax) amounting to £406,542.71 were identified.

The weekly value of claims either stopped or reduced in 2011 / 2012 amounted to £10280.00. In a study carried out by the DWP some time ago it was calculated that, on average, a claimant would continue to receive benefit for a further 32 weeks had that claim not been stopped. Based on these findings the amount of benefit potentially stopped by the BFIT is in the region of £328,960.00.

Mersey Mets Fraud Performance 2011/2012.

The table below compares the fraud performances of each Merseyside council.

Agenda Item 7

<u>Authority</u>	<u>Caseload</u>	<u>Prosecutions</u>	<u>Ad Pens</u>	<u>Cautions</u>	<u>Total</u>	<u>Sanctions Per 1000 caseload</u>	<u>Investigators Per 1000 caseload</u>	<u>Sanctions Per Investigator</u>
Sefton	36,000	28	11	76	115	3.2	0.12	25.5
Liverpool	86,000	70	6	106	182	2.12	0.13	16
St Helens	23,500	30	15	48	93	4.0	0.25	15.5
Knowsley	25,900	40	41	61	142	5.5	0.15	35.5
Wirral	46,000	52	10	39	101	2.2	0.16	13.5

As can be seen from the above table, Sefton has a ratio of 0.12 fraud Investigators per 1000 benefit caseload – the lowest of the Merseyside Authorities – but has still achieved the second highest level of sanctions per investigator during the year. The sanction targets for the BFIT this year are no longer based on the caseload, but a minimum of 85 sanctions. This has taken into account the assistance provided by the BFIT for benefits processing and the reduction in staff over the last 2 years.

The table below gives the 2010/2011 Mersey Mets performance:

<u>Authority</u>	<u>Caseload</u>	<u>Prosecutions</u>	<u>Ad Pens</u>	<u>Cautions</u>	<u>Total</u>	<u>Sanctions Per 1000 caseload</u>	<u>Investigators Per 1000 caseload</u>	<u>Sanctions Per Investigator</u>
Sefton	31,800	24	28	101	161	5.06	0.20	29.27
Liverpool	81,000	86	9	101	196	2.42	0.14	17.19
St Helens	23,200	26	24	25	75	3.23	0.15	21.43
Knowsley	25,500	49	26	35	110	4.31	0.20	22
Wirral	42,000	30	18	63	111	2.64	0.18	14.80

Benefit Fraud Hotline

The BFIT received 115 calls to the Benefit Fraud Hotline (08000 567000) during 2010/11 (111 in 2010/11).

From these calls, 38 cases were opened and investigations commenced. In total, 36 cases (including carry-over from the previous year) derived from the Hotline, were closed during the year. Positive results were recorded on 6 (17%) of these cases. The majority of the calls during 2011/12 consisted of either 'living together' or working allegations. However, information regarding non-residency or of owning another property was also received during this period. As always, although the BFIT endeavours to investigate as many of these cases as possible, some of the information provided can often be spurious or misguided. In addition, allegations of 'living together' are probably the most difficult area to investigate and prove.

The effectiveness of the Hotline is dependent on publicity which the Team endeavours to seek in respect of successful prosecutions. Efforts are also made to publicise the Hotline number as widely as possible e.g. in the Council Tax Leaflet, notices in public buildings etc.

Interviews and visits

From 1st April 2011 to 31st March 2012 officers from BFIT completed 402 visits to claimants throughout the Borough (105 notified and 297 un-notified).

Over the same period, BFIT carried out 167 interviews under caution with claimants suspected of committing benefit fra

Agenda Item 7

Performance Indicators

The BFIT is responsible for achieving the 3 Performance Indicators as set out in the table below – NB 'B11' has been changed and the BFIT now have a target of a minimum of 85 sanctions and 'B13' has been removed.

<u>PI</u>	<u>Explanation of Performance Indicator</u>	<u>Target 2011/12</u>	<u>Achieved 2010/11</u>
B11	Number of sanctions to be achieved	Min. 85 Sanctions	115 Sanctions
B12	Percentage of fraud staff PINS accredited	100%	100%
B15	Percentage of sanctions achieved against IUCs carried out	50%	68%

Liaison with DWP/Other Local Authorities

Regular meetings are held between BFIT and the DWP Fraud Investigation Service (FIS). Liaison between the BFIT and DWP is further aided by way of two nominated officers - one from each agency - who are responsible for initiating and monitoring joint investigations, thereby helping to facilitate the joint working process. Records of joint working invitations are kept by each nominated officer and the table shown below shows the number of LA/DWP invitations for the period 1/4/11 – 31/3/12

<u>Agency</u>	<u>No of invitations given</u>	<u>No of invitations accepted</u>
DWP (FIS)	101	96
Local Authority (BFIT)	48	28

In total there have been 124 joint working investigations undertaken. Of the investigations closed, 28 have lead to successful prosecutions, as stated above.

Sefton are also members of the Merseyside Joint Board (LA/DWP) and attend regular meetings. The purpose of the JB is to ensure that the strategy leading to a joint approach to counter fraud activities is followed by both agencies.

The BFIT also meets regularly with its counterparts on the other Merseyside Councils as part of the Merseyside Fraud Investigators Group (MFIG). These meetings are very useful for sharing good working practices and new ideas for investigation.

Fraud Awareness

The BFIT continues to be involved in providing fraud awareness to both internal and external staff. During June and July 2011, 38 members of staff within 'One Vision Housing' – Sefton's largest Registered Social Landlord – attended fraud awareness training sessions. Training will also be given to internal members of staff over the coming months.

Publicity

The BFIT continues to have a good working relationship with the local press, which results in excellent publicity for the Section, both in terms of cases undertaken by BFIT alone and as a result of joint working with the DWP. Such positive press coverage raises the profile of the BFIT and normally results in increased usage of the Fraud Hotline.

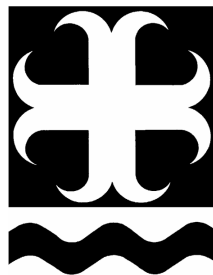
Agenda Item 7

Single Fraud Investigation Service

A new integrated fraud service has been proposed as part of the Welfare Reform Act, which received Royal Assent earlier this year. This service will incorporate fraud investigators from local authorities, the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) and is expected to be operational from April 2013. At the present time, local authorities are awaiting further details on how this service will function; however, the BFIT is currently actively involved with arvato's Welfare Reform Act Project Team, which is looking at changes made to legislation and the possible impact this could have on service provision. It has also involved in one of the design workshops, aimed at identifying best practice.

SEFTON COUNCIL

FINANCE DEPARTMENT



Internal Audit Section

Self Assessment Review of Internal Audit

2011 / 2012

Internal Audit

Self Assessment - Code of Practice for Internal Audit in Local Government 2006

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
1	Scope of Internal Audit					
1.1	Terms of Reference					
1.1.1.	<p>Do terms of reference:</p> <p>(a) establish the responsibilities and objectives of Internal Audit?</p> <p>(b) establish the organisational independence of Internal Audit?</p> <p>(c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and:-</p> <p>(i) those charged with governance?</p> <p>(ii) those parties to whom the Head of Internal Audit may report?</p> <p>(d) recognise that Internal Audit's remit extends to the entire control environment of the organisation?</p> <p>(e) identify Internal Audit's contribution to the review of the effectiveness of the control Environment?</p> <p>(f) require and enable the Head of Internal Audit to deliver an annual audit opinion?</p> <p>(g) define the role of Internal Audit in any fraud-related or consultancy work?</p> <p>(h) explain how Internal Audit's resource requirements will be assessed?</p> <p>(i) establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</p>	Y			<p>Terms of reference for Internal Audit and right of access included in</p> <p>i) Council Constitution - Financial Procedure Rules</p> <p>Terms of reference for Internal Audit included in</p> <p>ii) Audit Charter and Mission Statement, approved by Audit & Governance Cttee June 2006</p> <p>iii) Audit Annual Plan</p> <p>Terms of Reference for Audit & Governance Committee also established</p> <p>Terms of Reference were reviewed as part of review of Governance 2011/12. A further review of governance arrangements is to be undertaken in 2012/13 in response to Localism Bill/Act. Terms of reference will be reviewed in line with this review.</p> <p>Working practices and reporting mechanisms reviewed in 2011/12. This is to continue into 2012/13.</p>	<p>Terms of reference (included in Audit Charter agreed by A&G Cttee in June 2006) to be reviewed in 2012/13</p> <p>Internal Audit Strategy/ Development Plan to be agreed 2012/13 will include reviewed and revised terms of reference as necessary.</p>
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	Y			Content approved by Audit & Governance Cttee June 2006. A & G informed of changes to terms of reference as and when required.	See 1.1.1
1.1.3	Have the terms of reference been formally approved by the organisation?	Y			Audit Charter & Mission Statement approved by Audit & Governance June 2006	See 1.1.1
1.1.3	Are terms of reference regularly reviewed?			N	Not reviewed annually	See 1.1.1

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
1.3.2.	Do the terms of reference define Internal Audit's role in:- (a) fraud and corruption? (b) consultancy work?	Y			Included in Audit Charter and Audit Manual.	Review of Internal Audit Strategy/Development Plan, Audit Charter and Audit Manual to be undertaken in 2012/13
1.4	Fraud and Corruption					
1.4.2.	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Y			Arrangements are detailed in the Council's Anti Fraud, Bribery & Corruption Policy which was reviewed in 2011/12 to include requirements of the Bribery Act 2010.	A fraud response plan is to be developed in 2012/13 which will include notification protocols.
2	Independence					
2.1.	Principals of Independence					
2.1.	Is Internal Audit:- (a) independent of the activities it audits? (b) free from any non-audit (operational) duties?	Y	P		a) Audit are independent of the activities it audits b) The CIA and Audit Managers undertake Bankline CHAPS payment authorisations, It is considered that these duties do not jeopardise Internal Audit's objectivity or create significant concerns about independence. Senior Management is aware of these issues and no immediate change is envisaged.	
2.1.2.	Where Internal Audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?			N	Internal Audit staff may provide independent advice during system, policy or procedure developments and may bring this expertise either individually or as part of a team during any future reviews of these developments. This is not considered to affect the auditors independence.	
2.2.	Organisational Independence					
2.2.1.	Does the status of Internal Audit allow it to demonstrate independence?	Y			Independence and accountability recognised in Audit Charter. Internal Audit report independently to Audit & Governance Cttee. Audit Reports are sent to Directors from CIA	
2.2.2.	Does the Head of Internal Audit have direct access to:- (a) Officers? (b) Members?	Y			Included in Audit Manual. Report directly to Directors and Members & Chief Executives where necessary.	

2.2.2.	Does the Head of Internal Audit report in his or her own name to Members and Officers?		P		Reports go in the name of the Head of Corporate Finance and ICT, however contact details and preparation undertaken by CIA.	To be reviewed in 2012/13
Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
2.2.3.	(a) Is there an assessment that the budget for Internal Audit is adequate? (b) Does any budget delegated to service areas ensure that:- (i) Internal Audit adherence to the Code is not compromised? (ii) the scope of Internal Audit is not affected? (iii) Internal Audit can continue to provide assurance for the Statement on Internal Control?	Y Y			a) Budget for Internal Audit is part of the Finance Department's budget, and where relevant the Section has to bear its share of savings Within these constraints the budget is considered sufficient to provide for the Internal Audit Establishment. b) Budgets for Internal Audit are not delegated to service level at present. However, this does not affect Internal Audit adherence to the Code, the scope of Internal Audit work or whether Internal Audit can continue to provide assurance for the Statement on Internal Control.	A review of budget delegation is to be undertaken as part of Finance review in 2012/13.
2.3.	Status of the Head Internal Audit					
2.3.	Is the Head of Internal Audit managed by a member of the corporate management team?	Y			The Head of Corporate Finance and ICT is a member of the Strategic Leadership Team. CIA reports directly to Head of Corporate Finance and ICT as Section 151 Officer.	
2.5.	Independence of Internal Audit Contractors					
2.5.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?				N/A	
2.6	Declaration of Interest					
2.6.1	Do Audit staff make formal declarations of interest?	Y			Undertaken annually see Declarations of Work Interest held by CIA.	
2.6.2.	Does the planning process take account of the declarations of interest registered by staff?	Y			Work would be allocated to avoid any potential conflicts of interest where declared	
3.	Ethics for Internal Auditors					
3.1.	Purpose					
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	Y			Included in the Audit Mission Statement, all staff provided with a copy and is included in the Audit Manual. CIA regularly stresses the need for auditors to demonstrate the highest standards of ethical behaviour at office meetings.	
3.2.	Integrity					

3.2.1.	Has the Internal Audit team established an environment of trust and confidence?	Y			Good relationships exist with members, colleagues, internal clients and external contacts. Evidenced by Client Surveys and continued high levels of requests for consultancy and advice.	
3.2.1.	Do Internal Auditors demonstrate integrity in all aspects of their work?	Y			Yes - the auditors integrity has never been questioned	

3.3	Objectivity					
3.3.2.	Are Internal Auditors perceived as being objective and free from conflicts of interest?	Y			Yes - work is allocated to ensure that auditors are free from conflicts of interests. The scope of all audit work is agreed with the client and the Audit Manager, and is therefore unlikely to be influenced unduly by an individual. Quality control procedures in place and would identify judgements that could not be substantiated.	
Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
3.3.3.	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	Y			No formal policy on this although if necessary a period of 12 months would be applied. This will be formalised during the review of the Audit Manual	To be formalised as part of review of Audit Manual
3.3.4.	Are staff rotated on regular/annually audited areas?	Y			Audit Team is managed as a whole via 2 Audit Managers and the Chief Internal Auditor. Staff are not rotated as audits are allocated based on skill and knowledge. All staff are rotated on regular/annually audited areas.	

3.4.	Competence					
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of:- (a) the organisation's aims, objectives, risks and governance arrangements? (b) the purpose, risks and issues of the service area? (c) the scope of each audit assignment? (d) relevant legislation and other regulatory arrangements that relate to the audit?	Y Y Y Y			a) Staff are informed through a variety of means, which include office / team meetings, e-mail, the Intranet, Constitution (revised 2011/12) and Corporate Risk Register. b) The Corporate Risk Register is on the Intranet and all staff have access to Committee Reports. Staff also meet with managers/Heads of Service at the commencement of each assignment to ensure service risks and issues are identified and discussed. c) The scope of each assignment is detailed in an Audit Brief that is discussed with the auditor completing the work. d) Input into each audit is provided by the Audit Manager. This helps ensure that staff are made aware of any relevant legislation and other regulatory arrangements that relate to the audit. Major changes in legislation are notified to auditors as part of Team briefings/external alerts from CIPFA/IIA subscriptions and attendance on relevant courses.	Regular training sessions on specific topics to be introduced to keep auditors up to date
3.5	Confidentiality					
3.5.1.	Do internal Audit staff understand their obligations in	Y			Included in Audit Mission Statement. Staff reminded at regular	

	respect to confidentiality?				intervals by CIA.	
4.	Audit Committees					
4.1	Purpose of the Audit Committee					
4.1.1.	Does the Council have an independent Audit Committee?	Y			Establishment of Audit & Governance Committee approved by Cabinet April 2006 and Council May 2006. Committee meets on a quarterly basis.	
4.2.	Internal Audit's Relationship with the Audit Committee					
4.2.1.	Is there an effective working relationship between the Audit Committee and Internal Audit?	Y			Internal Audit report to quarterly meetings of the Audit & Governance Committee.	
4.2.2.	Does the Committee approve the Internal Audit Strategy and monitor progress?		P		Internal Audit does not currently have an Audit Strategy. Aspects of the Audit Strategy are included in the Audit Charter and Audit Manual. Internal Audit report progress quarterly to the Audit & Governance Committee..	Internal Audit Strategy to be compiled and approved by A & G Committee in 2012/13
Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
4.2.2.	Does the Committee approve the Annual Internal Audit Plan and monitor progress?	Y			The Audit Plan is approved by the A&G Cttee. Progress against the plan is reported to and monitored by the Cttee on a quarterly basis. Reports to A&G were enhanced during 2011/12 in order to ensure that the A&G committee receives appropriate information to enable them to monitor the level of assurance of internal control throughout the council. Reporting will be reviewed on an ongoing basis to ensure it meets Code of Practice requirements.	Continue to review reports to Audit & Governance

4.2.4.	Does the Head of Internal Audit:- (a) attend the Committee and contribute to its Agenda? (b) participate in the Committee's review of its own remit and effectiveness? (c) ensure that the Committee receives and understands documents that describe how Internal Audit will fulfil its objectives? (d) report on the outcomes of Internal Audit work to the Committee? (e) establish if anything arising from the work of the Committee requires consideration of changes to the Audit Plan, or vice versa? (f) presents the Annual Internal Audit report to the Committee?	Y Y Y Y Y Y			a) CIA attends the A & G Committee and is contact officer on Audit Section Reports b) will participate when any review is undertaken c) The Internal Audit Mission Statement and Charter, Audit Plans and performance and fraud reports are presented to this Committee. d) Progress report and fraud report presented quarterly e) Yes any issues referred by Members would be considered. f) Annual report presented to Audit & Governance Committee	See 4.2.2
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the Audit Committee?	Y			Opportunity exists to meet privately with the Chairman. The Chairman is routinely briefed by Head of Corporate Finance and ICT and CIA.	

5.	Relationships					
5.1.	Principles of Good Relationships					
5.1.2	Is there a protocol that defines the working relationship for Internal Audit with:- (a) management? (b) other Internal Auditors? (c) External Auditors? (d) other regulators and inspectors? (e) Elected Members?	Y Y Y Y				a) The Constitution sets out the arrangements of Internal Audit in respect of Accounting & Audit. The Audit Charter sets out the relative roles and responsibilities of Internal Audit and Service Departments. b) Internal Audit is part of the Merseyside CIA Audit Group, which has their own terms of reference. c) A joint working protocol exists in terms of the working relationship with External Audit. d) Working arrangements exist with a range of other agencies, e.g. Police, Council's Bank etc. The Audit Manual outlines roles and responsibilities of Internal Audit within 'Relationships' (Section 4) e) Audit & Governance Committee Terms of Reference sets out the relationship between Internal Audit and the Committee.
Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
5.2.	Relationships with Management					
5.2.1.	Does the Head of Internal Audit seek to maintain effective relationships between Internal Auditors and managers?	Y				Good relationships exist between Internal Audit and all Service Departments as recognised in Client Survey feedback. Where necessary the CIA and / or Audit Managers would contact Managers to resolve any potential issues.
5.2.2.	Is the timing of audit work planned in conjunction with management?	Y				Wherever possible the timing of planned audits are mutually agreed.
5.3.	Relationships with other Internal Auditors					
5.3.1.	Do arrangements exist with other Internal Auditors that include joint working, access to working papers, respective roles and confidentiality?	Y				The good working relationships between Sefton IA and other Authority's Internal Audit Sections mean that there is periodically sharing of information and good working practices.
5.4.	Relationships with External Auditors					
5.4.2.	Is it possible for Internal Audit and External Audit to rely on each other's work?	Y				Internal Audit and External Audit meet regularly to review areas each other are working on and information shared where appropriate.
5.4.3.	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Y				The CIA meets regularly with External Auditors
5.4.3.	Are the Internal and External Audit Plans co-ordinated	Y				IA share the Annual Audit Plan with the EA, EA provide their Annual Audit & Inspection Plan.
5.5.	Relationships with other Regulators &					

	Inspectors					
5.5.1.	Has the Head of Internal Audit sought to establish a dialogue with the regulatory inspection agencies that interact with the organisation?	Y				Review with inspection agencies are arranged with the Council. If specific issues arose from inspection visits that were relevant to the work of IA, contact would be made with the relevant organisation.
5.6.	Elected Members					
5.6.1	Do the terms of reference for Internal Audit define the channels of communication with Members and describe how such relationships should operate?	Y				Informal communication channels exist between the CIA and the Chair of A&G. Included in Audit Manual.
5.6.1.	Does the Head of Internal Audit maintain good working relationships with Members?	Y				Positive feedback was received from A&G Cttee during 2011/12.
6.	Staffing, Training & Continuing Professional Development					
6.1.	Staffing Internal Audit					
6.1.1.	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	Y				The Section is staffed with a suitable mix of professionally qualified, part qualified, Accounting technician, and experienced staff appropriate to the requirements of the Audit Plan; refer to Audit Plan 2012/13. The section has been reduced to 8 staff in 2011/12. This will be monitored throughout 2012/13 to ensure Internal Audit remains appropriately staffed.
Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
6.1.1.	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the Internal Audit team?	Y				The Audit Section has in place appropriate resources including in regard to the specialist areas of Information Services and Contract and Procurement. A company (Sapphire) is employed in instances where Computer Forensic work is required. If required, external support would be sought where that skill/expense does not exist within the Audit Team.
6.1.2.	Is the Head of Internal Audit professionally qualified and experienced?	Y				The CIA is MIIA qualified and has over 25 years Local Government experience.
6.1.2.	Does the Head of Internal Audit have wide experience of Internal Audit and management?	Y				The current CIA has been in post since April 2010 and was previously an Audit Manager within different Local Authorities for over 10 years.
6.1.3.	(a) Do all Internal Audit staff have up-to-date job descriptions? (b) Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for Internal Audit	Y Y				(a) All Job Descriptions reviewed as part of the job evaluation process. Further review of Job Descriptions undertaken as part of review/restructure of Internal Audit. (b) Person specifications are available for all posts

	staff?					
6.2	Training & Continuing Professional Development					
6.2.1.	<p>(a) Has the Head of Internal Audit defined the skills and competencies for each level of Auditor?</p> <p>(b) Are Individual Auditors periodically assessed against these predetermined skills and competencies?</p> <p>(c) Are training or development needs identified and included in an appropriate ongoing development programme</p> <p>(d) Is the development programme recorded, regularly reviewed and monitored?</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>P</p>			<p>(a) Skills and competencies are set out in the person specification</p> <p>(b) Initially undertaken as part of recruitment process. Skills and competencies are reviewed as part of the 1 to 1 process and quality review process for audits. All relevant staff are registered for CPD.</p> <p>(c) Training and development needs are formally undertaken through the PRD process. Whilst this is not currently undertaken formally, training needs are reviewed as part of 1 to 1's. Training requests submitted by staff will be reviewed and approved as appropriate.</p> <p>(d) All staff have their own Personal Communication and Development Record, however it is not regularly reviewed and monitored.</p>	<p>Consider reviewing skills and competencies using CIPFA's skills and competency framework.</p> <p>Review and Monitor Development Plans.</p>
6.2.2.	Do Individual Auditors maintain a record of their professional training and development activities?		P		All staff have their own Personal Communication and Development Record. Not all staff maintain a record of professional training and development activities.	Establish records of professional training and development for all staff
7.	Audit Strategy & Planning					
7.1	Audit Strategy					
7.1.1.	<p>(a) Is there is an Internal Audit Strategy for delivering the service?</p> <p>(b) Is it kept up to date with the organisation and its changing priorities?</p>		P	P	<p>The Audit Strategy is a combination of the Annual Audit Plan, Audit Charter and Mission Statement.</p>	<p>Audit Strategy Development Plan to be compiled and approved by A & G Committee in 2012/13</p>

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
7.1.2.	Does the strategy include:- (a) Internal Audit objectives and outcomes? (b) how the Head of Internal Audit will form and evidence his or her opinion on the control environment? (c) how Internal Audit's work will identify and address local and national issues and risks? (d) how the service will be provided, i.e. internally, externally or a mix of the two? (e) the resources and skills required to deliver the Strategy?	Y Y Y Y	P		See above	See 7.1.1
7.1.3.	Has the Strategy been approved by the Audit Committee?	Y			See Above	See 7.1.1
7.2	Audit Planning					
7.2.1.	Is there a risk based plan that is informed by the organisation's risk management, performance management and other assurance processes?		P		The audit planning process takes account of the risk management, performance management, other assurance processes and other external inspections. A review of corporate risk is in progress.	i) A review of the Assurance Framework to be undertaken in 2012/13 and outcomes considered as part of the planning process. (ii) As the review of corporate risk is undertaken, this will correlate with audit planning.
7.2.1.	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?		P		The Audit Plan is determined by IA's own risk assessment process. As part of the improvement plan for 2012/13, there will be a review of the risk assessment process. Once the risk assessment process has been reviewed, a reassessment of all auditable areas will be undertaken.	(i) Review risk assessment methodology and process (ii) Consult with SLT/ Departmental Management Teams and Heads of Service as part of audit planning process
7.2.1.	Are stakeholders consulted on the Audit Plan?	Y			Consultation undertaken with Strategic Leadership Team and Heads of Service for the 2012/13 Audit Plan.	
7.2.2.	Does the Plan demonstrate a clear understanding of the organisation's functions?	Y			The Internal Audit Plan is compiled using information obtained from meetings with Heads of Service, involvement in business transformation activities, analysis of departmental structures/functions and review of items reported to committees.	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
7.2.3.	Does the plan:- (a) cover a fixed period of no longer than one year? (b) outline the assignments to be carried out? (c) prioritise assignments? (d) estimate the resources required? (e) differentiate between assurance and other work? (f) allow a degree of flexibility?	Y Y Y Y Y Y			a) Given the on-going restructure of the Council, the 2011/12 plan was split into two periods of 3 months and 9 months. b) Outlined in Audit Plan c) All assignments are prioritised as High, Medium and Low Risk. All assignments in 2011/12 were deemed high risk. d) A calculation of the Audit resources is undertaken as part of the Planning process. e) Plan is split into 5 work areas : Probity & Compliance, ICT, Value for Money (VFM), Anti-Fraud/NFI and Project Support Work. f) The Plan is flexible and also includes a contingency element to allow for any unplanned work.	
7.2.4.	If there is an imbalance between the resources available and resources needed to deliver the plan, is the Audit Committee informed of proposed solutions?	Y			The establishment provides for the resources required to service the audit plan. The plan for 2011/12 was based on available resources and so there was no imbalance in 2011/12.	
7.2.4.	Has the plan been approved by the Audit Committee?	Y			Two Audit Plans were compiled in 2011/12. These were approved in March 2011 (3 months) and June 2011 (9 months) respectively.	
7.2.5.	If significant matters arise that jeopardise the delivery of the Plan are these addressed and reported to the Audit Committee?	Y			Any significant issues would be advised to Members as part of the quarterly reports e.g. secondment of Senior Auditor to Merseyside Police Authority was reported in December 2011.	
	Undertaking Audit Work					
	Planning					
8	(a) Is a brief prepared for each audit?	Y			(a) Where relevant an Audit Brief is prepared. New format introduced for Audit Brief for 2011/12.	
8	(b) Is the brief discussed and agreed with the relevant managers?	Y			(b) Yes.	
8.1.1.	Does the brief set out:- (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	Y Y Y Y Y			Yes see template	
8.2	Approach					
8.2.1.	Is a risk based audit approach used?		P		Where relevant a risk based approach is utilised, however all audits focus on areas of high risk.	Risk Based Audit approach to be fully developed in 2012/13.
8.2.3.	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	Y			The Audit Manual provides guidance on this and the Audit Brief states that management will be informed during the course of the audit should any significant issues be identified..	
8.2.4.	Does the audit approach include a quality review process for each audit?	Y			Audit Managers review all files and reports. The CIA reviews all reports which have a Weak or Poor audit opinion and other reports on an ad hoc basis. The CIA also reviews a sample of files prior to issue.	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
8.3	Recording Audit Assignments					
8.3.1.	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Y			Standard working papers and audit documentation are included in the Audit Manual. Templates of all documents are maintained on the Audit shared drive.	
8.3.1.	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	Y			Assessed as part of the Audit Manager / CIA review process	
8.3.2.	Are working papers such that an experienced Auditor can easily:- (a) identify the work that has been performed? (b) re-perform it if necessary? (c) see how the work supports the conclusions reached?	Y Y Y			Assessed as part of the above Management review process	
8.3.3.	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Y			Council has Guidelines for Document Retention and Disposal. An Internal Audit Retention Policy has been developed and implemented This is reviewed on an ongoing basis.	
8.3.3.	Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc., and any organisational requirements?	Y			All appropriate legislation has been taken into account in the Internal Audit Retention Policy.	
8	Is there an access policy for audit files and records?			N	Whilst there is no formal policy regarding access to all files and records, it is restricted to all audit staff.	Policy to be developed in relation to access and booking out
	Due Professional Care					
	Responsibilities of the Individual Auditor					
9	Are there documents that set out the requirements on all Audit staff in terms of:- (a) being fair and not allowing prejudice or bias to override objectivity? (b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict? (c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties? (d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions? (e) being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest? (f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed?	Y Y Y Y Y Y			All these aspects are included in the Section's Audit Manual, where necessary additional comments are provided below a) objectivity is commented on in the Audit Mission Statement b) annual declaration by Auditors c) extensively covered in Employees Code of Conduct. All staff formally required to familiarise themselves with the Code of Conduct Policy in 2011/12. d) Audit Manual e) Audit Manual f) All staff are experienced and aware that they need to be alert to the possibility of fraud when carrying out audit work.	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
	(g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?	Y			g) this is an explicit expectation of all auditors. All auditors have been provided with a copy of the Code of Practice and have been asked to familiarise themselves with the content.	Continue to develop staff understanding of the CIPFA Code of Practice.
	(h) disclosing any non-compliance with these standards?	Y			h) this is an explicit expectation of all auditors. All auditors have been provided with a copy of the Code of Practice and have been asked to familiarise themselves with the content	
	(i) not using information they gain in the course of their duties for personal use?	Y			i) this is an explicit expectation of all auditors. All auditors have been provided with a copy of the Code of Practice and have been asked to familiarise themselves with the content .	
9.3	Responsibilities of the Head of Internal Audit					
9.3.1.	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	Y			Due professional care is monitored and reviewed via the quality assurance review of all audit files and reports by Audit Managers/CIA.	
9.3.2.	Are there systems in place for individual Auditors to disclose any suspicions of fraud, corruption or improper conduct?	Y			Included in the Audit Manual, all auditors would bring such matters to the attention of the Audit Managers / CIA. In addition, all staff have confirmed that they are familiar themselves with the Confidential Reporting Policy and Anti Fraud, Bribery & Corruption Policy in 2011/12.	
11	Reporting					
11	Principles of Reporting					
11	Is an opinion on the control environment and risk exposure given in each audit report?	Y			Audit opinion forms part of the report template, where relevant	
10.1.3.	Has the Head of Internal Audit determined the way in which Internal Audit will report?	Y			Outlined in Audit Manual and Standard Audit Report Template and Audit Charter	
10.1.4.	Has the Head of Internal Audit set out the standards for Internal Audit reporting?	Y			See Audit Manual and Audit Charter	
10.1.5.	Are there laid down timescales for reports to be issued?			N	A protocol for issuing reports including timescales has been drafted.	Protocol for issuing reports to be implemented.
10.2	Reporting on Audit Work					
10.1.4	Do the reporting standards include:- (a) format of the reports?	Y			a)&b) Included within Audit Manual	New Audit Report format to be introduced.
10.1.4.	(b) quality assurance of reports?	Y				
10.2.2.	(c) the need to state the scope and purpose of the audit?	Y			c)&d) Included within standard report template	
10.2.1.	(d) the requirement to give an opinion?	Y			e) See 10.1.5	
10.1.4.	(e) process for agreeing reports with the Recipient?			N		

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
10.2.1	f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	Y			f) Action plan forms part of the standard report template and includes management agreement and appropriate timescales.	
10.2.3.	Does the audit reporting process include discussion and agreement of reports?	Y			Reporting process includes discussion and agreement of Draft Report with Clients.	See 10.1.5
10.2.4.	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	Y			Standardised grading of recommendations see Audit Manual Section 10.9 and appendix 34.	
10.2.5.	Are areas of disagreement recorded appropriately?	Y			Action Plan provides for management response. Where recommendation are not agreed or if not satisfied with Management response this would require further follow up and if significant would be reported to Senior Management and Audit & Governance Committee as necessary.	Escalation Policy to be compiled and approved by the Audit and Governance Committee.
10.2.5.	Are those weaknesses giving rise to significant risks that are not agreed are drawn to the attention of senior management?	Y			As above	
10.2.6.	Is the circulation of each audit report determined when preparing the audit brief?	Y			The Audit Brief states that a final report will be issued to the auditee, their Director and that a copy of each report will be issued to the Head of Corporate Finance and ICT.	
10.2.7.	i. (a) Does the reporting process include details of circulation of that particular audit report?	Y			Circulation details are included on the front of each report	
	(b) Is this included in the brief for each individual audit	Y			Intended circulation is included in the brief template (see above), but may change subject to the findings within the report	
10.2.7.	Does the Head of Internal Audit have mechanisms in place to ensure that:-				a) Recommendations that impact on other Sections / Departments would be directed to the appropriate Officers within those Sections / Departments. This would be via formal memo or report.	
	(a) recommendations that have a wider impact are reported to the appropriate forums?	Y			b) Where appropriate, recommendations would be made to Departments to include risks identified via Audit work in their relevant risk registers.	
	(b) risk registers are updated?	Y				
10.3	Follow-up Audits & Reporting					
10.3.1.	Has the Head of Internal Audit defined the need for and the form of any follow-up action?		P		There is a follow up process included at 9.39 of the Internal Audit Manual, although this does not reflect current practice which is to follow-up audit recommendations where the control environment is classed as Weak or Poor within 6 months.	Review Follow-up mechanisms in Audit Manual.
10.3.2.	Has the Head of Internal Audit established appropriate escalation procedures for Internal Audit recommendations not implemented by the agreed date?		P		The Audit Manual refers to an escalation process in Paragraph 9.40. However, a formal Escalation Policy has not been compiled.	See 10.2.5

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
10.3.3.	Where appropriate is a revised opinion given following a follow-up audit and reported to management?	Y			Where after a follow up review circumstances warrant a change in audit opinion this would be revised and reported accordingly.	
10.3.4.	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Y			Auditors consider previous audit reports during the planning of current audit work. With regard to the audit plan Audit Managers consider previous audit work as part of the audit risk assessment.	
10.4	Annual Reporting & Presentation of Audit Opinion					
10.4.1.	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	Y			An Annual Internal Audit Report is produced and reported to the Audit & Governance Committee, this forms part of the assurances for the Annual Governance Statement (previously the SIC) .	
10.4.2.	Does the Head of Internal Audit's annual report:- (a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment? (b) disclose any qualifications to that opinion, together with the reasons for the qualification? (c) present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies? (d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control? (e) compare the actual work undertaken with the planned work and summarise the performance of the Internal Audit function against its performance measures and Targets? (f) comment on compliance with the standards of the Code? (g) communicate the results of the Internal Audit quality assurance programme?	Y Y Y Y Y Y Y			Points (a) to (g) would all be commented on in the Annual Audit Report, any additional comments are included below. g) Performance Indicators / Quality Assurance is reported as part of the Annual Audit Report, this includes the results of Internal Audit Client Survey and statistics on numbers of recommendations accepted, however these are to be further developed.	Research comparitors, develop further targets to measure performance and processes for collection. Report progress against these regularly and summarise results in annual report. This is to include compliance with CIPFA Code and reporting of Self Assessment.
10.4.3.	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	Y			Quarterly reports to Audit & Governance Committee and regular updates to Head of Corporate Finance and ICT.	Develop reporting to Senior Leadership Team

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
11.	Performance, Quality & Effectiveness					
11.1	Principles of Performance, Quality & Effectiveness					
11.1.1.	Is there is an audit manual?	Y			There is an Audit Manual available to all Audit staff electronically.	See 1.3.2
11.1.1.	Does the audit manual provide guidance on:- (a) carrying out day-to-day audit work? (b) complying with the Code?	Y Y			These areas are included in the Audit Manual.	
11.1.1.	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?		P		Audit Manual is reviewed and updatd on an ad hoc basis. An overall review will be undertaken as a result of changes in working practices	See 1.3.2
11.1.2.	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of:- (a) each individual audit? (b) the Internal Audit service as a whole?	Y Y			a) Audit Managers review all files and reports, CIA reviews reports/files where the opinion is Weak or Poor. CIA will also reviews sample of files. In addition Internal Audit Client Surveys are issued after each Audit. b) Audit Performance is reported quarterly/annually to Audit & Governance Committee. The effectiveness of Internal Audit is reviewed using the self-assessment document against the Code of Practice.	
11.2	Quality Assurance of Audit Work					
11.2.1.	Does the Head of Internal Audit have a process in place to ensure that work is allocated to Auditors who have the appropriate skills, experience and competence?	Y			Work is allocated to individual auditors by the Audit Managers. The allocation of work reflects the appropriate skills, experience and competence of individuals. Work is allocated to the most appropriate persons and assigned to an Audit Manager to manage.	
11.2.2.	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	Y			Audit Managers ensure that each auditor receives appropriate supervision at all times. There is regular two way contact on progress throughout the audit.	

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
11.2.2.	Does the supervisory process cover:- (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff?	Y Y Y			a) Progress is monitored throughout the audit by the Audit Manager. Progress is formally monitored via 1 to 1 meetings between the Audit Manager and Auditor. b) Quality of work is assessed through report and file reviews by Audit Managers and CIA. c) Staff are coached as required, both on a formal and informal basis, and where necessary it forms an integral part of each audit.	
11.3	Performance & Effectiveness of the Internal Audit Service					
11.3.1.	Does the Head of Internal Audit have a performance management and quality assurance programme in place	Y			Audit Managers review all files and reports, CIA reviews files, reports (where the opinion is Weak or Poor) and correspondence. In addition Internal Audit Client Surveys are issued after each Audit. Audit Performance is reported quarterly to Audit & Governance Committee, regular updates are provided to FD. Performance Indicators / Quality Assurance is reported as part of the Annual Audit Report, this includes the Internal Audit Client Survey, however these are to be further developed.	See 10.4.2
1	Does the performance management and quality assurance framework include as a minimum:- (a) a comprehensive set of targets to measure performance:- (i) which are developed in consultation with appropriate parties? (ii) which are included in service level agreements, where appropriate? (iii) against which the Head of Internal Audit measures, monitors and reports appropriately on progress? (b) user feedback obtained for each individual audit and periodically for the whole service? (c) a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy? (d) internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual? (e) an action plan to implement improvements?		P P P		a) Performance Indicators have been developed and are detailed in the Audit Manual, these are reported to A&G as part of the Annual Audit Report. Performance indicators are to be further developed. b) Internal Audit Client Surveys are issued for each audit, these are reported to A&G in the quarterly performance reports and Annual Audit Report. c) Annual review of the service through self assessment will inform any future revised strategy. d) Self assessment undertaken annually will ensure compliance with code and Audit Manual. e) An action plan will be produced annually following self assessment as part of the review of the effectiveness of Internal Audit.	See 10.4.2

Ref	Adherence to the Standard	Y	P	N	Evidence/Self Assessment	Areas for Improvement
11.3.3.	Does the Head of Internal Audit compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?		P		This is undertaken on an ongoing basis, some PI's reported in Annual Audit Plan, including results of Internal Audit Client Surveys and statistics on the number of recommendations accepted.	See 10.4.2
11.3.1.	Do the results of the performance management and quality assurance programme evidence that the Internal Audit service is:- (a) meeting its aims and objectives? (b) compliant with the Code? (c) meeting internal quality standards? (d) effective, efficient, continuously improving? (e) adding value and assisting the organisation in achieving its objectives?		P P Y Y Y		a) Current performance targets and quality assurance measures evidence that Internal Audit is meeting its aims and objectives (e.g. Customer Satisfaction Surveys and recommendations agreed). b) Compliance with the Code is evidenced via the self assessment and through quality review by Audit Managers and Chief Internal Auditor c) Documented review of files and reports by Audit Managers/CIA provide evidence that internal quality standards are being met. d) & e) Improvements are made continuously to make the service more effective and efficient. The consistently high percentage of recommendations agreed and positive Customer Client Feedback evidences that the Internal Audit service is adding value and assisting the organisation in achieving its objectives.	See 10.4.2
11.3.4.	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	Y			Performance Indicators / Quality Assurance is reported as part of the Annual Audit Report, this includes the Internal Audit Client Survey and statistics on the number of recommendations accepted.	See 10.4.2
11.3.5.	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality on the Internal Audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of Internal Audit?	Y			Annual Report is included as part of the evidence for the AGS, see Annual Audit Report 2011/12.	See 10.4.2

Sefton Internal Audit Section - 2012/13 Improvement Plan

Drawn from Self Assessment Review 2011/12 (Code of Practice for Internal Audit in Local Government 2006)

Action	Source SA	Priority 1 - Low 2 - Med 3 -High	Responsible Officer	Action By (Date) / Progress
Scope of Internal Audit				
Review of Terms of Reference for Internal Audit	SA	1	CIA / Audit Manager	December 2012
Partnership Database needs to be examined and ensure Legal Department continue to include access rights in all new contracts / agreements	SA	1	CIA/Audit Manager	Remind Legal Department by September 2012.
Provide ongoing training in respect of fraud & corruption work to be provided to improve skills	SA	3	CIA/Audit Manager	March 2013
Review of Audit Strategy/Development Plan, Audit Charter and Audit Manual	SA	3	CIA/Audit Manager	March 2013
A fraud response plan is to be developed in 2012/13 which will include notification protocols.	SA	2	CIA/Audit Manager	March 2013
Dependence				
Reporting to Members and Officers in her own name to be reviewed	SA	3	CIA/Head of Corporate Finance & ICT	March 2013
Review of budget delegation is to be undertaken as part of Finance review	SA	2	CIA/Financial Support Services	March 2013
Ethics for Internal Auditors				
Formal Policy to be compiled re time period set for staff where they do not undertake an audit in an area where they have had previous operational roles.	SA	1	CIA/Audit Manager	December 2012
Regular training sessions on specific topics to be introduced to keep auditors up to date	SA	2	CIA	Ongoing
Audit Committees				
Continue to improve and enhance Audit & Governance Committee Reports	SA	3	CIA/Audit Manager/Computer Auditor	Ongoing

Action	Source SA	Priority 1 - Low 2 - Med 3 -High	Responsible Officer	Action By (Date) / Progress
Staffing, Training & Continuing Professional Development				
Consider reviewing skills and competencies using CIPFA's skills and competency framework as part of PRD process.	SA	1	CIA / Audit Manager	Complete for 2013/14 PDR process
Review and monitor development plans	SA	1	CIA/Audit Manager	March 2013
Establish records of professional training and development for all staff	SA	1	All Audit Staff	September 2012
Audit Strategy & Planning				
Internal Audit Strategy to be compiled and approved by Audit & Governance Committee	SA	3	CIA/Audit Manager	March 2013
A review of the Assurance Framework to be undertaken in 2012/13 and outcomes considered as part of the planning process.	SA	3	CIA/Audit Manager	December 2012
Establish risk registers in planning processes once they are established	SA	3	CIA/Audit Manager/Computer Auditor	Complete for 2013/14 planning process
Review risk assessment methodology and process (ii) Consult with Senior Leadership Team, Departmental Management Team and Senior Managers as part of audit planning process	SA	3	CIA/Audit Manager/Computer Auditor	(i) Complete for 2013/14 planning process. (ii) Complete for 2012/13 planning process.
Undertaking Audit Work				
Risk Based Audit approach to be fully developed in 2012/13.	SA	3	CIA/Audit Manager	March 2013
Recording Audit Assignments				
Policy to be developed in relation to access and booking out of audit files and records	SA	1	CIA/Audit Manager	March 2013
Reporting				
Protocol for issuing Audit Reports to be agreed and implemented.	SA	3	CIA/Audit Manager/Computer Auditor	June 2012
New Audit Report format to be agreed and implemented.	SA	3	CIA/Audit Manager/Computer Auditor	June 2012
Review follow-up mechanisms and include in Audit Manual	SA	3	CIA/Audit Manager	December 2012

Action	Source SA	Priority 1 - Low 2 - Med 3 -High	Responsible Officer	Action By (Date) / Progress
Escalation Policy to be compiled and approved by SLT and Audit & Governance Committee	SA	3	CIA/Audit Manager	September 2012
Develop reporting to the Senior Leadership Team	SA	3	CIA/Audit Manager	September 2012
Performance, Quality & Effectiveness				
Research comparitors, develop further targets to measure performance and processes for collection. Report progress against these regularly and summarise results in annual report. This to include compliance with CIPFA Code and reporting of Self Assessment.	SA	2	CIA/Audit Manager	December 2012.

SA - Self Assessment of Internal Audit

Agenda Item 8

Report to: Audit & Governance Committee **Date of Meeting:** 27th June 2012

Subject: Internal Audit Annual Plan 2012/13

Report of: Head of Corporate Finance & ICT **Wards Affected:** All

Is this a Key Decision? No **Is it included in the Forward Plan?** No

Exempt/Confidential No

Purpose/Summary

To provide Audit & Governance Committee with the Internal Audit Plan for 2012/13.

Recommendation(s)

Members are requested to:-

- i) Approve the Annual Audit Plan for 2012/13.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	✓		
2	Jobs and Prosperity	✓		
3	Environmental Sustainability	✓		
4	Health and Well-Being	✓		
5	Children and Young People	✓		
6	Creating Safe Communities	✓		
7	Creating Inclusive Communities	✓		
8	Improving the Quality of Council Services and Strengthening Local Democracy	✓		

Reasons for the Recommendation:

The proposed Internal Audit Plan for 2012/13 has been developed in close consultation with the Strategic and Service Directors in order to identify the key areas of risk for the forthcoming financial year (2012/13). The plan ensures appropriate coverage of Council services in order to enable an opinion on the effectiveness of the overall control environment to be formed at year end. The report therefore seeks to inform Members of the Audit & Governance Committee, in the context of the Members being charged with

Agenda Item 8

the overall responsibility for governance, of the proposed work programme for Internal Audit by way of their approval of the Internal Audit Plan for 2012/13.

What will it cost and how will it be financed?

There are no financial costs associated with the proposals within this report.

(A) Revenue Costs

(B) Capital Costs

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal		
Human Resources		
Equality		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

Internal Audit provide assurance to the Council that Internal Controls are provided for within systems utilised across the Council providing for effective and efficient service delivery for the community.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance (FD1615/12) and Head of Corporate Legal Services (LD952/12) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

The Committee could choose not to approve the Annual Audit Plan, however, Internal Audit is a statutory requirement and the Code of Practice for Internal Audit recommends that Internal Audit operate to an Audit Plan.

Implementation Date for the Decision

Agenda Item 8

Immediately following the Audit & Governance Committee meeting.

Contact Officer: Janice Bamber, Chief Internal Auditor
Tel: 0151 934 4051
Email: janice.bamber@sefton.gov.uk

Background Papers:

The following papers are available for inspection by contacting the above officer.

CIPFA Code of Practice for Internal Audit

Agenda Item 8

1. Introduction/Background

- 1.1 The Accounts and Audit Regulations 2011 require that the Council maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control. Internal Audit is the assurance function that provides an independent and objective opinion to the Council on the control environment. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. In fulfilling this it supports the Annual Governance Statement.
- 1.2 The organisation (Council, Directors, Departments) is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. In order to fulfil this function and provide an opinion on the adequacy and effectiveness of the Council's internal control environment Internal Audit has to plan its work.
- 1.3 The Chief Internal Auditor has adopted a revised approach to the compilation of the plan in order to meet with the Councils changing priorities in the current climate. The revised approach comprises 2 stages:-

Stage 1 – the plan has been split into strategic areas comprising;

- Annual Requirements
- Probity / Compliance
- ICT
- Value For Money
- Anti Fraud/NFI
- Project Support Work
- Transformation / Financial Support

This is presented to the Audit & Governance Committee to approve the framework in order that the Chief Internal Auditor can progress to Stage 2 with that approval;

Where areas for review are known to be high risk and require audit in the coming financial year these have been included in the plan.

Stage 2 – the Chief Internal Auditor will consult with Strategic & Service Directors and Heads of Service to negotiate the detail of the Annual Plan (this will include those areas already included);

Stage 3 – once the detail of the plan is agreed with officers the finalised plan will be presented to the Audit & Governance Committee to inform and seek approval of the plan and thus outline to Members the direction for audit.

- 1.4 This will ensure that Members are assured that the plan will meet their strategic requirements and the strategic objectives of the Council.
- 1.5 The Audit Plan is drawn up in accordance with the CIPFA Code of Practice for Internal Audit 2006 (CoP). The Plan is risk based and an Audit Risk Assessment has been applied which assists in prioritising audit work relative to risk. The

Agenda Item 8

process also considers the resources available to Internal Audit (in terms of audit days available, staff qualifications and experience) and is drawn up to deliver audit services within those resources. Whilst specific areas for review have been identified in the Plan it must be recognised that the Plan is intended to be flexible and responsive to changes in the Council's audit requirements and priorities, be able to address unforeseen circumstances, undertake unplanned work and accommodate variances between planned and actual allocations.

- 1.6 Audit staffing resources are identified and allocated in terms of estimated planned days for audit work. The resource within the Section will be reduced as part of the larger review of Corporate Finance & ICT; the number of Auditors is to reduce from 10 to 8 (excluding the Chief Internal Auditor). Further the Section is to reduce from 2 Audit Managers to 1, however, a Computer Audit post is to be established. In 2012/13 there is 1 Senior Auditor on extended shared maternity leave until end of August 2012. The plan has been adopted to account for this reduction in resources and therefore the number of planned days has reduced from 1958 to 1396.
- 1.7 This report provides the background and methodology for compiling the Audit Plan and advises Members of the framework for the Internal Audit Plan for 2012 /13 appended to this report at Annex A.

2. Recommendation

- 2.1 Members are requested to approve the framework for the Audit Plan for 2012/13.

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Internal Audit Annual Plan 2012/13

Page 103

Annual Internal Audit Plan 2012/13
Date: 27th June 2012

Distribution List:

For Action

- Audit & Governance Committee
- Strategic Leadership Team

For Information

- Strategic & Service Directors
- Heads of Service

From

- Janice Bamber, Chief Internal Auditor

Internal Audit Section
Corporate Finance & ICT
2nd Floor, Magdalen House
30 Trinity Road, Bootle. L20 3NJ

Agenda Item 8

Contents

	Page
1. Introduction, Background and Purpose	3
2. Compilation, Characteristics and Types of Audits in the Annual Plan	4
3. Operating Standards, Measuring and Reporting	7

Appendices

A) Audit Plan 2012/13	8
B) Internal Audit Resource Analysis 2012/13	17

Page 104

Documentation Control	Date	Report Prepared By:	
Plan Framework Approved:	28 th March 2012	Janice Bamber	Chief Internal Auditor
Consultation:	April & May 2012		
Final Plan – Audit & Governance Cttee:	27 th June 2012		

1 Introduction, Background and Purpose

Introduction

Legal Framework

The Accounts and Audit Regulations 2011 require that the Council must “maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”. The Council has determined that the Head of Corporate Finance and Information Services has responsibility for Internal Audit and is the “Responsible Officer” under Section 151 of the Local Government Act 1972 for making arrangements for the proper administration of the Council’s financial affairs. The Internal Audit Section fulfils the Council’s requirements in respect of the Internal Audit function.

The Chartered Institute for Public Finance and Accountancy Code of Practice for Internal Audit in Local Government (CIPFA Code of Practice) established the expected professional standards for internal audit in local government. The CIPFA Code is informed by standards from other professional institutes, including the Institute of Internal Auditors (IIA) and the Government Internal Audit Standards (GIAS) issued by the HM Treasury, and is the standards against which the quality of internal audit in local government is assessed.

The CIPFA Code sets out the requirement for an internal audit plan. The purpose of this report is to present the Audit Plan for 2012/13 to Members for their approval.

Background

The achievement of the Council’s corporate objectives requires all areas of the Council to work effectively and efficiently in its use of resources whilst demonstrating transparent governance arrangements. Internal Audit plays a part in this process and the Audit Plan is designed to run concurrently with the Council’s plans and sets a series of risk based reviews that will help the Council achieve its stated objectives.

Purpose

The plan put before the Audit & Governance Committee provides a robust basis for internal audit work whilst acknowledging and ensuring that sufficient flexibility is retained to allow us to react to significant changes in the risk environment. In producing the plan we have taken account of the current economic and financial pressures on the Council and will continue to ensure that we deliver an efficient and effective service. The purpose of this report is to present the Audit Plan for 2012/13 to the Members of the Audit & Governance Committee for their approval.

2 Compilation, Characteristics and Types of Audits in the Annual Plan

Compilation

The Audit Plan for 2012/13 has been compiled using the revised framework agreed at the Audit & Governance Committee meeting on 28th March 2012. This comprised 3 stages:-

Stage 1 – the plan has been split into strategic areas comprising;

- Annual Requirements
- Probity / Compliance
- ICT
- Value For Money
- Anti Fraud/NFI
- Project Support Work
- Transformation / Financial Support

Stage 2 – the Chief Internal Auditor consulted with Strategic & Service Directors and Heads of Service to negotiate the detail of the Annual Plan

Stage 3 – once the detail of the plan is agreed with officers the finalised plan to be presented to the Audit & Governance Committee to inform and seek approval of the plan and thus outline to Members the direction for audit.

This will ensure that Members are assured that the plan will meet their strategic requirements and the strategic objectives of the Council.

The Plan is intended to be flexible and responsive to the changing needs and demands for audit services and will be reviewed throughout the year. There is regular liaison and consultation with our External Auditor (PriceWaterhouseCoopers) to ensure a good working relationship, maximise use of overall audit resource and enable them to place reliance on, and take assurance from, the work of Internal Audit.

Audit staffing resources are identified and allocated in terms of estimated planned days for audit work. The resource within the Section has been reduced as part of the larger review of Corporate Finance & ICT; the number of Auditors has reduced from 10 to 8 (excluding the Chief Internal Auditor). Further the Section has reduced from 2 Audit Managers to 1 Audit Manager, however, a Computer Audit post has been established. In 2012/13 there is 1 Senior Auditor on extended shared maternity leave until end of August 2012 and 1 Senior Auditor has been seconded to the Transformation Team until December 2012. The plan has been adopted to account for these resources and therefore the number of planned days has reduced from 1958 to 1525.

The Section is staffed with a suitable mix of professionally qualified, part qualified, accounting technician, and experienced staff appropriate to the requirements of the Plan.

Key Characteristics of the Plan

The key characteristics of the Audit Plan are that it provides for flexibility, support, challenge, prioritisation and timeliness.

The Internal Audit Plan continues to be sufficiently flexible to enable assurance to be obtained over current and emerging risks. There was a high demand for assurance work in 2011/12 and this continues into 2012/13, further there has been an increased demand for value for money work, service delivery change / transformation work and advice / support in the areas of change / ceasing of services. Therefore a key characteristic of the plan is its flexibility with time being allocated for this type of work and time also allocated for contingency and consultancy to be applied to emerging risks and to enable the team to react to client demand.

Periods of change increase the potential for risks both positive (opportunities) and negative (hazards), for example the significant change / reduction in the workforce provides opportunity for a breakdown in control as well as an opportunity to consider new, more effective and efficient ways of organising people, systems and processes without impacting adversely on internal control. To reflect this the plan includes time for consultancy / advice and guidance and project / systems development in order to support and challenge officers in the establishment and development of their systems of governance, risk management and internal control.

The pace of change across the Council continues to be rapid due to the need to react quickly and positively to the changes in government funding and how the Council applies that funding to its services. This continued pace of change requires Internal Audit to ensure that changes continue to be prioritised and necessary controls in respect of the changes in service delivery are implemented on a timely basis. The plan allows for time to be allocated as necessary to react in a timely manner to these rapid changes.

In order for Internal Audit to help the Council to continue to respond effectively to the scale and pace of change in 2012/13 and beyond it is critical that the principles outlined above are maintained in the Audit Planning process and Audit Plan. In order for assurance to be obtained it is best that a combination of different types of audit are utilised.

Types of Audit

Annual Requirements

Provides assurance in respect of processes / procedures are operating as expected in regard to those areas that are ongoing systems, for example, debt write off procedures, final account review, misappropriated cheques etc.

Probity / Compliance

Provides assurance to officers and key stakeholders that key systems and processes are operating in compliance with prescribed policies / procedures / regulations and legislation (where relevant) as expected.

Value For Money

Provides assurance to officers and key stakeholders that services / processes operating / utilised are delivering best value for money and / or identifies other methods of delivery where appropriate.

Project Support

Provides early engagement in the development of new systems / processes and make recommendations to mitigate risks where appropriate, further to provide a quality assurance function that projects are managed appropriately.

Anti Fraud & NFI

Provides assurance by undertaking proactive testing of systems and processes to identify potential fraud and misappropriation, as well as non compliance with policies and procedures. In addition Internal Audit investigates potential wrong doing, fraud and corruption.

ICT

Provides assurance that ICT systems / processes are operating as expected and monitors / reviews compliance with Information Security policies.

Advice, Consultancy and Investigations

Internal Audit provide advice and guidance across the Council by attending working groups, responding to telephone queries and undertaking work as requested by Clients. Early advice and support can help maintain a robust control environment.

The approach of utilising different types of audit and ensuring time is retained for Advice, Consultancy and Investigations and Contingency is considered the most effective way of delivering the Audit Plan.

The Audit Plan for 2012/13 is attached at Appendix A.

3 Operating Standards, Measuring and Reporting

Operating Standards, Measuring and Reporting of Internal Audit Activity

Internal Audit operate to standards as set out in CIPFA's Code of Practice for Internal Audit in Local Government in the UK 2006. In doing so Management can be assured that Audit reviews will be to professional standards from officers with integrity providing well considered, impartial advice and sound practical recommendations.

Audit reviews are reported directly to Directors, Heads of Service, Schools and Chairs of Governors as appropriate on a continuous basis throughout the year. There is regular liaison with constructive dialogue and a good working relationship with the External Auditor (PriceWaterhouseCoopers).

Audit and Governance Committee receive quarterly updates on Internal Audit work which would where necessary advise of any significant issues requiring to be addressed by them or any failure or undue delay by Departments to respond to significant audit issues. Additionally, an Annual Audit Report is submitted which summarises the Audit activity for the year and provides an opinion on the overall control environment.

As a management tool Internal Audit utilises the Audit Planning And Control Environment (APACE) system. This enables the planning, recording, monitoring and reporting of all audit activity. Throughout the year the Audit Plan is proactively monitored by the Chief Internal Auditor and Audit Managers to review progress against the Plan. .

The section has a number of performance measures in place including client satisfaction surveys which are undertaken on an ongoing basis. The latest returns from these show a very high level of client satisfaction with Audit work with 96% of clients sampled considering overall audit services to be in the categories of Very Good/Good.

Appendix A: Audit Plan 2012/13

Audit Plan 2012-13 - Summary

Directorate/Area	Days Allocated	% of Total Days
People - Young People and Families	165	12%
People - Older People	180	13%
Chief Executive - Corporate Finance & ICT	89	7%
Chief Executive - Corporate Legal Services	15	1%
Chief Executive - Corporate Personnel	45	3%
Chief Executive - Corporate Commissioning	25	2%
Cross-Cutting Reviews	30	2%
Place - Streetscene	102	7%
Place - Built Environment	102	7%
Corporate Governance	65	5%
ICT	188	14%
Contract Audit	30	2%
Grant Certification	10	1%
Advice, Consultancy & Investigations	200	14%
Contingency (Unallocated)	100	7%
Anti Fraud/NFI	100	7%
Adjustment for Warrington	-50	-4%
Total	1396	100%

Audit Type	Days Allocated	% of Total Days
Probity & Compliance	491	35%
Value for Money (VFM)	155	11%
Project Support	92	7%
Anti Fraud/NFI	100	7%
ICT	188	13%
Other (see above)	370	27%
Total	1396	100%

PEOPLE		Young People & Families		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Leasing for Schools	H	Processes for entering into leasing agreements including securing and evidencing VFM. Monitoring and termination of leasing agreements including payment of lease rentals, budget control and the disposal of leased equipment.	VFM	25
Children with Disabilities	H	Identification/referral of disabled children, assessment of needs, funding packages and communication with parents	Probity & Compliance	25
Schools - Payments to Self Employed	H	Mechanisms for making payments to self employed suppliers/contractors and ensuring compliance with HMRC requirements and relevant legislation.	Probity & Compliance	15
Schools - Information to Governors	H	Ensure that Governors are provided with information of sufficient quality and quantity and in a timely manner to enable them to fulfill their responsibilities	Probity & Compliance	10
Schools - Medium Term Financial Planning	H	Ensure that adequate financial planning processes are in place with clear links to the school's strategic plan.	Probity & Compliance	10
Schools Procurement	H	Assess current procurement arrangements and evaluate other procurement options with a view to improving VFM.	VFM	20
Youth Service	H	Review of the commissioning process to provide assurance that it is robust and will stand up to scrutiny and challenge.	Probity & Compliance	20
Family Centres	H	Comprehensive review of systems and procedures in operation at the Council's Family Centres.	Probity & Compliance	25
Leaving Care - Commissioning	H	Provide support to a VFM review in respect of the commissioning of the provision of accommodation and outreach support to young people leaving care.	VFM	15

PEOPLE		Older People		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Community Equipment Service Follow Up	H	Governance arrangements in respect of partnership arrangement with Liverpool Community Health Foundation Trust.	Probity & Compliance	5
Assistive Technology	H	Procurement of equipment, contracts/SLAs in place, out of hours provision, income and performance management.	Probity & Compliance	20
Liquid Logic	H	Ongoing project support work in respect of the replacement of the SWIFT System	Project Support	20
Commissioning of Specialist Transport	H	Client assessments/eligibility criteria and assessment of VFM provided by current commissioning arrangements.	VFM	20
Atkinson Centres	H	Atkinson Centres will open in April 2013. Support will be provided to set up robust systems and procedures.	Project Support	20
Formby Pool & Crosby PFI	H	These leisure centres are operated by 3rd parties. The audit will focus on contract monitoring arrangements and the income sharing arrangements in place.	Probity & Compliance	20
Older People -Income Collection Systems	H	Whole system of area finance inc. prompt/accurate billing of client contributions and debt recovery.	Probity & Compliance	20
Direct Payments	H	Referrals to the scheme, payment mechanisms, monitoring of clients' designated bank accounts and recovery of unspent balances.	Probity & Compliance	20
Older People Charging Policy	H	Benchmarking exercise to assess whether Sefton's Charging Policy is fair and equitable.	VFM	15
Community Care Allocations	H	Review of how consistency and accountability for decisions is maintained, budget monitoring and performance management.	Probity & Compliance	20

<u>CHIEF EXECUTIVES</u>		<u>Corporate Finance & ICT</u>		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Client Team - arvato Contract Management	H	Application of the arvato contract with particular emphasis on roles and responsibilities of staff, payments made to arvato and whether current governance arrangements provide best VFM.	Probity & Compliance	20
Budget Monitoring	H	Budget setting and monitoring arrangements.	Probity & Compliance	15
Debt Management	H	Compliance with the contract in respect of managing debt, collection rates and systems for writing off debts.	Probity & Compliance	10
Accounts Payable Council Processes - Follow Up	H	Confirm implementation of audit recommendations arising from the 2010/11 audit review which resulted in an overall opinion of 'Weak'.	Probity & Compliance	7
Bank Reconciliation - Follow Up	H	Confirm implementation of audit recommendations arising from the 2010/11 audit review which resulted in an overall opinion of 'Weak'.	Probity & Compliance	7
Health & Safety	H	Measure compliance with CIPFA Matrices/Best Practice.	Probity & Compliance	10
Emergency Planning	H	Measure compliance with CIPFA Matrices/Best Practice.	Probity & Compliance	10
Green Champion	H	Corporate Finance representation at Working Group.	Project Support	10

<u>CHIEF EXECUTIVES</u>		<u>Corporate Legal Services</u>		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Legal Services	H	Following compilation of Legal Risk Register, area for review will be agreed.	TBC	15
		<u>Corporate Personnel</u>		
Sickness Absence - Follow Up	H	Undertake further work after the 2010/11 audit review and subsequent work by Personnel identified serious weaknesses and discrepancies in the system of capturing and reporting sickness absence.	Probity & Compliance	15
HR Policies	H	Provide assurance that HR Policies are reviewed regularly and in accordance with relevant legislation and best practice.	Probity & Compliance	10
Disciplinary Investigations	H	Review of the arrangements in place for obtaining, recording, maintaining and retaining evidence in respect of disciplinary investigations.	Probity & Compliance	20
		<u>Corporate Commissioning</u>		
Mayors Charity	H	To undertake an independent examination of the accounts in accordance with Charity Commission Guidelines and produce an Independent Examiners Report.	Probity & Compliance	10
Domestic Violence	H	Budgetary arrangements and expenditure including grant monies	Probity & Compliance	15

<u>PLACE</u>		<u>Built Environment</u>		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
New Homes Bonus c/f	H	Ensure arrangements are in place to maximise Sefton's claims for NHB. Review will also look at compliance with legislation, integrity and sharing of relevant data and prompt inclusion of new properties on the CTax base.	VFM	30
Carbon Reduction Commitment Efficiency Scheme	H	Assess Council's ongoing compliance with the Environment Agency's conditions in respect of the Scheme.	Probity & Compliance	15
Cycle Hire Scheme	H	Governance arrangements, income/payment systems, purchasing systems, budget (funding allocation) control and asset control.	Probity & Compliance	12
Asset Management	H	Council's Asset Management Strategy and the processes in place to ensure that the Council obtains best VFM in respect of the usage and disposal of its assets.	VFM	15
Taxi Licencing Enforcement	H	Review proactive enforcement action to ensure compliance with all relevant legislation and regulations e.g. vehicle inspections, insurance and licencing checks.	Probity & Compliance	15
Staff Car Parking	M	All aspects of staff car parking including allocation of parking, enforcement and income.	Probity & Compliance	15

<u>PLACE</u>		<u>Street Scene</u>		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Refuse Collection Trade and Domestic b/f	H	Map a number of systems in Cleansing to facilitate the introduction of more robust controls by Management.	Project Support	30
Southport Golf Course Systems and Procedures	H	Advice and support to improve controls in regard to collection, receipting and banking of income following an Audit investigation of alleged financial irregularities undertaken in 2011.	Project Support	12
Beach Car Parking Follow-up	H	Confirm implementation of audit recommendations arising from the 2010/11 audit review which resulted in an overall opinion of 'Weak'.	Probity & Compliance	10
Registrars	H	Full review of all risk areas associated with the provision of Registrars service at Southport and Waterloo.	Probity & Compliance	20
Careline	H	Provision of 'out of hours' service by Sefton Security Services.	Probity & Compliance	15
Building Cleaning	H	Current arrangements for the provision of the Council's Building Cleaning operation could be improved to provide better VFM.	VFM	15

<u>CORPORATE GOVERNANCE</u>				
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Annual Governance Statement	H	CIA's input to the Council's AGS.	N/A	10
Review of Constitution	H	Internal Audit input to review of Constitution in response to the Localism Bill/Act.	N/A	15
Mapping Assurance Framework	H	Map all other sources of assurance that contribute to the AGS and inform future Audit Plans.	N/A	30
Trading Services	H	Examination of arrangements in place for undertaking commercial trading activities e.g. services provided at Crosby Lakeside Adventure Centre.	N/A	10
<u>CROSS CUTTING REVIEWS</u>				
Contract Monitoring	H	Review arrangements in place across the Council for monitoring contracts for services delivery by 3rd parties.	Probity & Compliance	30

ICT				
Auditable Area	Priority	Audit Outline	Audit Type	Indicative
Freedom of Information	H	Compliance with the Freedom of Information Act.	Probity & Compliance	25
Annual Billing Checks	H	Annual check to provide assurance regarding the uplift of Revenues and Benefits parameters in the core system (Northgate).	Probity & Compliance	5
School Bank Accounts	H	Project Management of : i) electronic reimbursement of school bank accounts ; ii) set up of control accounts within Oracle for all school bank accounts.	Probity & Compliance	8
Data Protection	H	Review of Council compliance with the Data Protection Act.	Probity & Compliance	25
IS Security Policy Compliance Follow Up	H	Confirm implementation of audit recommendations arising from the 2010/11 audit review which resulted in an overall opinion of 'Poor'.	Probity & Compliance	15
Electronic Communications	H	Support in respect of planned development of modern methods of electronic communication (e.g. Twitter, Facebook, etc.) with the Council's stakeholders.	Project Support	10
Provision of Shared Service	N/A	Shared working arrangements with Warrington MBC	TBC	50
To be determined	N/A	To be determined.	TBC	20
Advice, Consultancy & Investigations	N/A	Provision of advice, consultancy and investigation work.	N/A	30

Appendix B: Internal Audit Resource Analysis 2012/13

Internal Audit Resource Availability - 2012/13

	2012/13
Total Staff Days	2165
Less:	
Public Holidays	84
Annual Leave	263
Special Leave	3
Closedown	36
Total Available Days	1779
 Less Audit Activity Outside the Audit Plan:	
Sickness	24
Paternity	90
Doctors, Dentists etc Appts	2
Courses / Seminars	7
Other (incl ECDL & ITQ)	14
MDP	8
Audit Improvement	4
Supervision & Management - Audit	114
CIA Supervision & Management (Inc. Risk)	120
Total Days for Planned Audit Work	1396
Utilisation of total available days (%)	78%

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