



17 March 2017

Dear Sir/Madam

A meeting of the Governance, Audit and Standards Committee will be held on Monday 27 March 2017 in the New Council Chamber, Town Hall, Beeston commencing at 7.00pm.

Should you require advice on declaring an interest in any item on the agenda, please contact the Monitoring Officer at your earliest convenience.

Yours faithfully

Chief Executive

To Councillors: E H Atherton (Vice Chair) S A Bagshaw
 T P Brindley J C Goold
 J W Handley (Chair) S Kerry
 J W McGrath J M Owen
 J C Patrick K E Rigby

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest in any item on the agenda.

3. MINUTES

PAGES 1 - 3

The Committee is asked to confirm as a correct record the minutes of the meeting held on 28 November 2016.

4. ANNUAL REPORT ON GRANTS AND RETURNS WORK 2015/16

The Council's external auditors, KPMG, have issued an Annual Report on grants and returns work 2015/16. The report is circulated separately with the agenda.

The external auditors will be present at the meeting to present the document.

5. EXTERNAL AUDIT PLAN 2016/17

This report provides the Committee with an overview on progress in delivering KPMG's responsibilities as the Council's external auditors. The report is circulated separately with the agenda.

6. INTERNAL AUDIT PLAN 2017/18 PAGES 4 - 13

To provide the Committee with details of the Internal Audit Plan for 2017/18.

7. INTERNAL AUDIT PROGRESS REPORT PAGES 14 - 34

To inform the Committee of the recent work completed by Internal Audit.

8. FRAUD AND CORRUPTION PREVENTION POLICY AND MONEY LAUNDERING PREVENTION POLICY PAGES 35 - 53

To approve the updated corporate policies relating to Fraud and Corruption and Money Laundering.

9. REVIEW OF STRATEGIC RISK REGISTER PAGES 54 - 60

To recommend approval of amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

10. REVIEW OF GOVERNANCE - RESPONSES TO QUESTIONNAIRE PAGES 61 - 72

This report provides members with a summary of the responses given to the questionnaire that was circulated to all members and others.

11. WORK PROGRAMME PAGE 73

To consider items for inclusion in the Work Programme for future meetings.

GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

28 NOVEMBER 2016

Present: Councillor J W Handley, Chair

Councillors: E H Atherton
S A Bagshaw
T P Brindley
J C Goold
S Kerry
J M Owen
P J Owen (substitute)
J C Patrick
M Radulovic MBE
K E Rigby

Apologies for absence were received from Councillors, M J Crow, R I Jackson and J W McGrath.

25. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

26. **MINUTES**

The minutes of the meeting held on 26 September 2016 were confirmed and signed.

27. **ANNUAL AUDIT LETTER 2015/16**

The Committee received the annual audit letter issued by KPMG, the Council's external auditors.

28. **EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE**

A representative from the Council's auditors KPMG presented the report and provided members with an update on current external audit issues.

29. **INTERNAL AUDIT PROGRESS REPORT**

The Committee noted a report informing of the work of Internal Audit. An audit of members' allowances had been completed and clarification was requested over the necessity for the provision of VAT receipts when submitting travel claims. The Committee queried the amount of business rates paid on Durban

House, to which officers replied that the information would be circulated following the meeting.

30. STRATEGIC RISK REGISTER

Following the report to the last meeting of the Committee, and in accordance with the timescales set out in the Risk Management Strategy, the Strategic Risk Management Group met on 18 October 2016 to review the Strategic Risk Register. Members queried why risks regarding Beeston Town Centre had not reduced following the purchase of land by the Council, to which officers advised that a number of risks had transferred to the Council.

It was requested that more narrative and further explanation of the changes be included in future reports.

RESOLVED that the amendments to the Strategic Risk Register and the action plans to mitigate risks, as set out in the appendix to the report, be approved.

31. REVIEW OF PARLIAMENTARY CONSTITUENCIES

The Boundary Commission for England launched the 2018 review of Parliamentary constituencies on 24 February 2016. Parliament had specified that the review aimed to reduce the number of constituencies from 533 to 501 and the number of MPs from 650 to 600.

The initial proposals for the new constituencies were published on 13 September 2016 and members were informed that there could be significant implications for Broxtowe.

The Committee noted a report that detailed concerns regarding the proposals which affected Broxtowe and were informed of an alternative proposal that had been submitted to the meeting by Councillor P J Owen.

RESOLVED that:

1. **Concerns regarding the Boundary Commission for England's proposals be unanimously supported.**
2. **Alternative proposals, as set out in the appendix to the report, be put forward to the Boundary Commission for England.**
3. **The Chief Executive, in consultation with the three Group Leaders, consider the alternative proposal put forward at the meeting for submission to the Boundary Commission for England.**

32. REVIEW OF GOVERNANCE

On 27 April 2016, a meeting of full Council approved changes to the Constitution including the implementation of a committee system. As part of

the change to governance arrangements, the Council was committed to on-going appraisal to review the system. Members considered questions for proposed inclusion in a survey and suggested that they be designed to elicit as much comment as possible from those returning the forms. Furthermore, it suggested that the medium for distribution be user-friendly for councillors.

RESOLVED that:

1. **Questions be reworded to make them open rather than yes/no.**
2. **The survey be carried out by means other than survey monkey.**

33. UPDATE ON NEIGHBOURHOOD PLAN REFERENDUMS

The Committee noted a report which informed of progress with Neighbourhood Plans and the likely timescale for referendums.

34. WORK PROGRAMME

The Committee considered the Work Programme and was informed that the following items were to be added for the 27 March 2017 meeting:

- Response to Governance Survey
- Internal Audit Plan
- Money Laundering Policy update

RESOLVED that the Work Programme, as amended, be approved.

Report of the Chief Audit and Control Officer

INTERNAL AUDIT PLAN 2017/181. Purpose of report

To provide the Committee with details of the Internal Audit Plan for 2017/18.

2. Detail

The Public Sector Internal Audit Standards requires the Chief Audit and Control Officer to prepare an annual risk based audit plan.

This detailed audit plan governs each year's activity and, at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering Internal Audit activities are submitted to this Committee for scrutiny. The Committee can request further audit reviews to be undertaken and can request other committees to further investigate matters arising from any activities within their remit.

The proposed Internal Audit Plan for 2017/18 is included in the appendix for consideration. The plan has been prepared in accordance with the principles of the Internal Audit Charter.

The plan has recognised the Council's priorities as outlined in the Corporate Plan and links closely to corporate risk management processes, having been prepared with due consideration to the identified strategic risks. The Chief Audit and Control Officer has also considered the useful comments received during meetings and through correspondence with individual members of the General Management Team and Senior Management Team.

Recommendation

The Committee is asked to RESOLVE that the proposed Internal Audit Plan for 2017/18 be approved.

Background papers

Nil

APPENDIX

INTERNAL AUDIT PLAN 2017/18

1. INTRODUCTION

1.1 Background

This Internal Audit Plan sets out the proposed coverage for Internal Audit work in 2017/18. The mandate for this plan is derived from the Public Sector Internal Audit Standards ('the Standards') produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors (IIA).

The Standards require the periodic preparation of a risk-based plan, which must be linked to a strategic high level statement of how the service will be delivered and developed in accordance with the Internal Audit Charter and how this links to the Council's objectives and priorities.

The core work of Internal Audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. The Standards and the Local Government Application Note constitute proper practices so as to satisfy the requirements for larger relevant bodies as set out in the Regulations.

The Governance, Audit and Standards Committee (as the Council's designated audit 'board') should review and assess the annual internal audit work plan, although the development of the risk-based plan remains the responsibility of the Chief Audit and Control Officer after consultation with senior management and the Committee.

1.2 Internal Audit Charter

The Standards require the purpose, authority and responsibility of internal audit activity to be formally documented in a charter document. The Internal Audit Charter was approved by the General Purposes and Audit Committee on 9 December 2013.

Internal Audit will govern itself by adhering to the Standards, which are based upon the Institute of Internal Auditors' mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*. Supplementary guidance issued and endorsed by the relevant internal audit standard setters as applicable to local government will also be adhered to along with the Council's relevant policies and procedures and the internal audit manual. Non-conformance with the standards shall be reported to the Deputy Chief Executive and the Governance, Audit and Standards Committee.

1.3 Aims of the Plan

Internal Audit activity is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources.

The plan will support an opinion based on an assessment of the design and operation of the internal control environment and the adequacy and effectiveness of controls noted from risk based audit assignments carried out during the year. The aim of the plan is to:

- deliver a risk-based audit programme through a detailed risk assessment of systems and services across the Council
- be proactive in looking at what risks the Council is facing and trying to minimise the impact of these risks through Internal Audit work
- add value by providing practical, value-added recommendations in areas of significant risk and by working with senior management in attempting to save resources and enhance controls where possible
- provide assurance to senior management and the Governance, Audit and Standards Committee.

1.4 Developing the Plan

The plan is designed to support the Chief Audit and Control Officer's annual opinion on the overall adequacy and effectiveness of the control environment. The required basis for forming this opinion is:

- an assessment of the design and operation of the overall internal control environment, governance and risk management arrangements
- an assessment of the adequacy and effectiveness of controls, based upon the results of the risk based audit assignments that are reported during the course of year.

It follows that an effective risk based audit plan should focus resources into areas of principal risk. The plan has been prepared in accordance with the requirements of the Internal Audit Strategy and has been informed by:

- a review of the risks contained within the Council's Strategic Risk Register and with due regard to the Annual Governance Statement
- consultation with senior management to identify key auditable areas based on an assessment of corporate priorities and current and future issues and risks
- an understanding of the challenges to the Council to deliver its objectives within legislation and the current environment.

The allocations set out in the plan for each review will include time spent on researching and preparing the audit programme, completing site work and testing and the drafting and review of the report. The timings assume that the expected key controls will be in place and working effectively. Further substantive testing may be required where a review assesses the internal controls to be providing 'limited' or 'little' assurance and additional time may be required to carry out such testing.

The plan will be regularly reviewed. If additional risks are identified or there are changes to priorities during the year, the plan will be reconsidered with the Deputy Chief Executive. Any significant changes to the plan will be reported back to the Governance, Audit and Standards Committee for approval.

1.5 Resourcing the Plan

Net resources available in 2017/18 are 369 audit days.

The amount of assurance work proposed is set at 294 days. This equates to a reduction of 14% when compared to planned assurance work delivered in 2016/17. Despite this the coverage in terms of the number of high/medium risk assurance audits proposed to be delivered will be similar.

A further 15 days will be provided to support the Council and its wholly owned leisure company, Liberty Leisure, with assurance work relating to its financial and governance arrangements (5 days), leisure centre operations and the leisure membership scheme.

The plan includes provision for 30 days to be completed as part of the ongoing Internal Audit collaboration with Erewash Borough Council.

In addition, the plan includes 30 days earmarked towards corporate anti-fraud and corruption activities. An updated Fraud and Corruption Policy is referred to elsewhere on this agenda. The Council's approach to fraud and corruption proposes that Internal Audit will take a more prominent role in leading and co-ordinating anti-fraud and corruption activities in 2017/18. Internal Audit will be supported in this by procuring specialist fraud investigation services as necessary from local partners including Erewash Borough Council.

Finally, 30 days are allocated towards audit follow-up work and 'contingency' for special investigations, projects, value for money work and consultancy.

1.6 Reporting and Relationships

The Internal Audit Charter establishes the reporting and relationships for Internal Audit. This includes the reporting arrangements for individual assignments and for the periodic reporting of activities to the Governance, Audit and Standards Committee. The relationships with Members, Chief Officers, Senior Management Team, the external auditors and other assurance providers are also determined in the Internal Audit Charter.

In accordance with the standards, the Chief Audit and Control Officer will deliver a formal assessment of the design and operation of the overall internal control environment, governance and risk management arrangements and an opinion on the adequacy and effectiveness of controls, based upon the results of the risk based audit assignments reported during the year. This opinion will be formally recorded in the Internal Audit Annual Review Report to be presented to the Governance, Audit and Standards Committee following the completion of the audit work for the financial year.

Internal Audit will also bring to the attention of the Deputy Chief Executive and the Committee any significant internal control issues that it feels should be declared in the Council's Annual Governance Statement.

1.7 Performance Monitoring

The work of Internal Audit is regularly reviewed to provide assurance that it complies with the Standards, conforms to other relevant professional standards and meets the requirements of the Internal Audit Charter.

Service delivery will be monitored as part of a quality assurance and improvement programme. This will include the regular reporting progress to the Governance, Audit and Standards Committee, self-assessment and external assessment against the Standards, assessment of client feedback and production of performance indicators.

2. **AUDIT RESOURCES**

The table below identifies the Internal Audit resources available in 2017/18.

	Chief Audit and Control Officer	Senior Internal Auditor	Senior Internal Auditor	Other	TOTAL
Gross Allocation	260	260	260	-	780
Annual Leave #1	35	35	30	-	100
Public Holidays	9	9	9	-	27
Sickness #2	7	7	7	-	21
Training/Seminars	5	5	5	-	15
Audit General	70	5	5	-	80
Audit Erewash	10	10	10	-	30
Non-Audit #3	115	4	4	-	123
Vacancy #4	-	-	15	-	15
	251	75	85	-	411
Audit Days	9	185	175	-	369

Notes:

- #1 Annual leave includes full entitlements for a twelve-month period.
- #2 Allocation is below the corporate sickness average per FTE.
- #3 The majority of the allocation for 'non-audit' work reflects the Chief Audit and Control Officer's management of the other control aspects of the Audit and Control section, such as insurance, risk management, corporate performance management procurement and grant aid, together with an involvement in corporate management and democratic issues.
- #4 Assumed additional leave purchase. No further vacancy anticipated in 2017/18.

3. SUMMARY OF AUDIT DAY ALLOCATIONS

The following table summarises the allocation of days to each department.

	<u>Audit Days</u>
Deputy Chief Executive's Department	
- Corporate	10
- Revenues, Benefits and Customer Services	78
- Finance Services	29
- Environment	26
Chief Executive's Department	
- Corporate	18
- Department	44
Housing and Property Services	61
Legal and Planning Services	
- Corporate	8
- Department	20
Assurance Work	294
Local Authority Trading Company	15
Corporate Counter Fraud Activities	30
Audit Follow-up Work	10
Contingency (including Special Investigations, Projects, Value for Money and Consultancy)	20
Net Audit Days	369
Annual Leave/Public Holidays/Sickness	148
Training and Seminars	15
Audit General	80
Audit Erewash	30
Non-Audit/Vacancy	138
Gross Days	780

4. DETAILED AUDIT PLAN

The following tables provide a detailed breakdown of the audits planned for 2017/18. These reviews have been categorised as follows:

- Category A, being the review of key financial systems, such as Council Tax, Rents and Benefits that are the Section 151 Officer's audit priority areas and which are reviewed annually.
- Category B, being high profile and/or high-risk systems that should be reviewed and followed-up on a yearly basis.
- Category C, being the audit of the remaining operational systems that have been identified as medium to high risk that should be reviewed on at least a cyclical basis.

	<u>Category</u>	<u>Planned Days</u>
<u>DEPUTY CHIEF EXECUTIVE'S DEPARTMENT</u>		
<u>Corporate</u>		
Procurement	B	10
<u>Revenues, Benefits and Customer Services</u>		
Benefits	A	20
Cash Receipting	A	8
Council Tax	A	15
NNDR	A	10
Rents	A	10
Sundry Debtors	A	15
<u>Finance Services</u>		
Bank Reconciliation	A	3
Creditors and Purchasing	A	10
Financial Resilience (MTFS/Capital Resources etc.)	B	8
Key Reconciliations	A	2
Treasury Management	A	6
<u>Environment</u>		
Parks and Grounds Maintenance	C	10
Stores	C	8
Trade Waste Collection	C	8
Total Deputy Chief Executive's Department		<u>143</u>

	<u>Category</u>	<u>Planned Days</u>
<u>CHIEF EXECUTIVE'S DEPARTMENT</u>		
<u>Corporate</u>		
Communications	C	5
Information Governance	B	8
Risk Management – Business Continuity	B	5
<u>ICT and Corporate Communications</u>		
Computer	B	15
<u>Human Resources</u>		
Human Resources	B	8
Payroll	A	8
<u>Public Protection</u>		
Disabled Facilities Grants	C	8
HMO Licences	C	5
Total Chief Executive's Department		<hr/> 62 <hr/>
<u>DIRECTORATE OF HOUSING AND PROPERTY SERVICES</u>		
<u>Housing</u>		
Choice Based Lettings	B	12
Housing Repairs	B	12
<u>Property Services</u>		
Asset Register (Estates/Asset Management)	A	12
Capital Works	C	12
Car Parks	C	8
CCTV	C	5
Total Dir. Housing and Property Services		<hr/> 61 <hr/>
<u>DIRECTORATE OF LEGAL AND PLANNING</u>		
<u>Corporate</u>		
Corporate Governance	B	8
<u>Legal and Administrative Services</u>		
Administration	C	5
Land Charges	C	3
<u>Neighbourhoods and Prosperity</u>		
Planning Applications and Income	B	12
Total Dir. Legal and Planning		<hr/> 28 <hr/>

	<u>Category</u>	<u>Planned Days</u>
<u>LIBERTY LEISURE</u>		
Liberty Leisure – Financial and Governance	B	5
Leisure Centre Operations (Kimberley Leisure Centre)	B	8
Leisure Membership Scheme	C	2
Total Liberty Leisure		<hr/> 15 <hr/>

Report of the Chief Audit and Control Officer

INTERNAL AUDIT PROGRESS REPORT1. Purpose of report

To inform the Committee of the recent work completed by Internal Audit.

2. Detail

Under the Council's Constitution and as part of the overall corporate governance arrangements, this Committee is responsible for monitoring the performance of Internal Audit.

A summary of the reports issued since April 2016 and progress against the agreed annual Internal Audit Plan for 2016/17 is included at appendix 1. A brief narrative of the work completed by Internal Audit since the previous meeting of this Committee is also summarised at appendix 1. The summary includes reports in respect of audits outstanding at the end of 2015/16 and completed in this financial year.

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the audit. Details of this follow-up work are included at appendix 2. Where agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

Further progress reports will be submitted to each future meeting of this Committee. A final report will be prepared for Members' consideration after the end of the financial year detailing the overall performance and productivity of Internal Audit for 2016/17.

Recommendation

The Committee is asked to NOTE the report.

Background papers

Nil

APPENDIX 1

INTERNAL AUDIT REPORTS ISSUED SINCE APRIL 2016

No	Audit Title	SIA	Report Issued	Opinion	Actions		Respective IA Plan Complete
					Significant	Merits Attention	
32	Erewash BC – Risk Management	CF	27/04/16	-	-	-	-
33	Rents	CF	17/05/16	Substantial	0	0	67%
34	Bank Reconciliation	CF	18/05/16	Substantial	0	2 (1)	69%
01	Special Investigation – Lifeline	MP	19/05/16	-	-	-	-
35	Information Management	WL	24/05/16	Reasonable	0	2 (1)	72%
36	Household Refuse/Bulky Waste	WL	06/06/16	Reasonable	1	4 (3)	74%
37	Trade Waste Refuse Collection	WL	06/06/16	Reasonable	1	6 (4)	77%
38	Garden Waste Collection	WL	14/06/16	Substantial	0	0	79%
02	Erewash - Insurance	CF	13/07/16	n/a	-	-	-
03	Licensing	CF	19/07/16	Substantial	0	1 (1)	3%
39	Sundry Debtors	CF	29/07/16	Substantial	0	2 (2)	82%
04	External Maintenance - Housing Stock	CF	02/08/16	n/a	-	-	-
05	Choice Based Lettings	WL	17/08/16	Substantial	0	2 (2)	85% 6%
06	Housing Voids Management	WL	17/08/16	Substantial	0	2 (1)	87% 9%
40	Benefits	WL	18/08/16	Reasonable	0	3 (3)	90%
07	Asset Register (Estates Management)	CF	18/08/16	Reasonable	1	3 (2)	11%
08	Creditors and Purchasing	CF	18/08/16	LIMITED	1	2 (1)	14%
09	Payroll	CF	08/09/16	Reasonable	1	1	92% 17%
10	Health and Safety	CF	14/09/16	Substantial	0	1	20%
11	Homelessness	CF	29/09/16	Substantial	0	1	23%
12	Members Allowances	WL	06/10/16	Substantial	0	3 (1)	26%
13	Treasury Management	CF	06/10/16	Substantial	0	0	29%
14	Prospective Tenant at Durban House	MP	19/10/16	n/a	-	-	-
15	Local Auth. Housing Statistics Return	MP	24/10/16	n/a	-	-	-
16	Bramcote Crematorium	CF	25/10/16	Substantial	0	2 (2)	31%
17	Environmental Health	CF	17/11/16	Substantial	0	1	34%
18	Stapleford CCTV	CF	03/01/17	n/a	-	-	-
19	Kimberley Depot Security	CF	19/01/17	Substantial	0	0	37%
20	Recycling	WL	06/02/17	Substantial	0	1 (1)	40%
21	Fuel Management	WL	06/02/17	Substantial	0	1 (1)	43%
22	Human Resources (Job Evaluation)	CF	19/01/17	Substantial	0	0	46%
23	Counter Fraud Arrangements	CF	28/02/17	LIMITED	1	0	49%
24	Cash Receipting	WL	01/03/17	Reasonable	0	7 (5)	51%
25	Council Tax	WL	02/03/17	Substantial	0	1	54%
26	NNDR	WL	02/03/17	Substantial	0	0	57%

REMAINING INTERNAL AUDIT PLAN 2016/17

No	Audit Title	SIA/ Days	Progress	IA Plan 2016/17 Complete
	Retirement Living (Sheltered Housing)	WL	Draft report issued	60%
	Chilwell Olympia	WL	Draft report issued	63%
	Flexi-time Policy/Time Recording System	CF	Draft report issued	66%
	Rents	WL	Ongoing (Nearing completion)	69%
	Information Management	CF	Ongoing (Nearing completion)	71%
	Benefits	CF	Ongoing (Nearing completion)	74%
	Key Reconciliations	WL	Commenced	77%
	Bank Reconciliation	WL	Commenced	80%
	Sundry Debtors	15	Expected to commence in Q4	83%
	Beeston Square	5	Expected to commence in Q4	86%
	Computer/ICT	20	Expected to commence in Q4	89%
	Shared Services (incl Governance)	10	Expected to commence in Q4	91%
	Local Authority Trading Company	8	Expected to commence in Q4	94%
	Corporate Governance	10	Expected to commence in Q4	97%
	Central Establishment Charges	8	Expected to commence in Q4	100%

COMPLETED AUDITS

The Internal Audit Charter framework requires a report to be prepared for each audit assignment. The report will be issued by the Chief Audit and Control Officer to the appropriate senior management at the conclusion of a review and will:

- include an overall opinion on the adequacy of controls within the system to provide assurance that risks material to the achievement of the system's objectives are adequately managed – the opinion being ranked accordingly as either 'Substantial', 'Reasonable', 'Limited' or 'Little' assurance;
- identify inadequately addressed risks and non-effective control processes;
- detail the actions agreed with management and the timescales for completing those actions, and;
- identify issues of good practice.

The recommendations made by Internal Audit are risk assessed, with the agreed actions being categorised accordingly as follows:

- Fundamental i.e. urgent action that is considered imperative to ensure that the Council is not exposed to high risks, such as breaches of legislation, policies or procedures.
- Significant i.e. action that is considered necessary to avoid exposure to significant risks.
- Merits Attention (Necessary Control) i.e. action that is considered necessary and should result in enhanced control or better value for money.
- Merits Attention i.e. action that is considered desirable that should result in enhanced control or better value for money.

Completed Audits

The following audit reports have been issued with the key findings being as follows:

1. Environmental Health Assurance Opinion – **Substantial**

Internal Audit was pleased to report that the Council has an appropriate framework in place for the day-to-day administration of operations in respect of Environmental Health. There is scope for a number of non-disruptive proactive actions to be performed on a periodic basis to reduce the likelihood of unlicensed activity within the Borough. The Head of Public Protection and Chief Environmental Health Officer duly agreed to produce and implement a regular programme of actions to detect unlicensed activity.

2. Financial Appraisal of Prospective Supplier

Internal Audit reviewed the financial details and accounts of a company expressing an interest to provide Wi-Fi facilities for public use in Stapleford.

The result of the appraisal was considered to be satisfactory, although a degree of caution was recommended as the company had only been established for two years. It was recommended that the Council obtain further sufficient reassurances from the company prior to the award of any contract. In addition to a liquidated damages contract clause and adequate insurance cover, it was suggested that the Council should consider obtaining references from the company's bank, requesting further details of the company's finances, including updated financial statements and a cash flow forecast for the forthcoming year and insisting that payments are only processed once goods and services have been received and upon the receipt of an original VAT invoice.

The review findings were reported to the Head of Property Services.

3. Kimberley Depot Security Assurance Opinion – **Substantial**

Internal Audit has completed a review of security at Kimberley Depot. The specific audit objectives sought to confirm whether adequate management control exists to provide assurance that access to the depot is restricted to authorised personnel and visitors; significant items of plant and equipment are stored securely; security breaches are reported appropriately; and robust business continuity plans are in place.

Overall, the review did not indicate any significant weaknesses or areas for improvement at this time and, accordingly, a clearance report was duly issued.

An observation was made with regard to any plans for future developments at the Depot that should include detailed consideration of the security of the site and other Council assets, particularly where third party and/or public access to facilities at the Depot may increase.

4. Recycling Assurance Opinion – **Substantial**

Internal Audit was pleased to report that the Council has appropriate arrangements in place for Recycling operations. The review indicated an area for improvement with a ‘Merits Attention – Necessary Control’ action being proposed relating to the need for income reconciliations to the general ledger to be completed on a regular basis. An action plan was agreed by the Environment and Business Development Manager.

5. Fuel Management Assurance Opinion – **Substantial**

Internal Audit was pleased to report that the Council has an appropriate framework in place for Fuel Management. The review indicated an area for improvement with a ‘Merits Attention – Necessary Control’ action being proposed relating to the need to complete regular and prompt reconciliations of fuel stocks and issues to the general ledger. A proposed action, with the support of the Accountancy team, was agreed by the Transport and Stores Manager.

6. Human Resources (Job Evaluation) Assurance Opinion – **Substantial**

Internal Audit has completed a review the Job Evaluation process. The specific audit objectives sought to confirm whether adequate management control exists to provide assurance that job evaluations under both the GLPC and Hay schemes are performed in accordance with Council Policy.

Internal Audit was pleased to report that the Council has an appropriate framework in place for Job Evaluation. Overall, the review did not indicate any significant weaknesses or areas for improvement at this time and, accordingly, a clearance report was duly issued.

7. Counter Fraud Arrangements Assurance Opinion – **Limited**

The review indicated an area for improvement to ensure that processes and controls in place are effective. There was one ‘Significant’ action relating to the requirement to produce an updated Counter Fraud and Corruption Policy and Strategy for approval and implementation, as follows:

Objective

Internal Audit sought to ensure that:

- Counter fraud policies are in place and adequately reflect the current regulatory environment and best practice
- An appropriate counter fraud culture is present and promoted throughout the Council
- Actual and suspected fraud is reported and addressed in an appropriate and timely manner.

Findings – Counter Fraud Policy and Procedures

With the exception of suspected Housing Benefit fraud cases which are referred to the Single Fraud Investigation Service at the Department for Work and Pensions, there is currently no up-to-date corporate policy, strategy or procedures in place relating specifically to fraud and corruption.

Agreed Action (Significant)

A Counter Fraud and Corruption Policy will be produced, approved and implemented by the Council. This will make explicit the Council's approach to fraud and corruption and the procedures to be followed in the event of actual and suspected fraudulent and/or corrupt acts.

Managers Responsible

Deputy Chief Executive

Target Date: 31 March 2017

The proposed action was duly agreed by the Deputy Chief Executive. The updated Policy presented elsewhere on this agenda for approval.

8. Cash Receipting (Payment Kiosk) Assurance Opinion – **Reasonable**

Internal Audit has completed a review of the systems and procedures operating in respect of cash receipting, including the payment kiosk. Although it was found that an appropriate framework is in place for the administration of operations in respect of cash receipting, seven 'Merits Attention' actions (including five 'Necessary Controls') were proposed relating to:

- the need to produce a comprehensive procedure guide for payments received by the Council, in particular those made through the kiosk
- the need to enhance the physical security of the kiosk office including restricting access to duly authorised officers and the regular changing of the security door code
- the requirement for cash refunds (for cash transactions via the payment kiosk) to be authorised by the Deputy Chief Executive and for individual refund transactions to be approved by a duly authorised officer
- the need for all refunds processed through the kiosk to be subjected to independent scrutiny and approval, including refunds through the 'YesPay' system.
- the requirement to complete regular independent checks of cash floats
- the need for the arrangements for officers carrying cash off-site to be subjected to regular risk assessment
- the need to determine responsibility for the residual documents relating to the former cash offices and for arrangements to be put in place to manage their storage in accordance with policies and schedules.

The actions were agreed as appropriate by the Deputy Chief Executive, Head of Revenues and Benefits Shared Service and Head of Administrative Services.

9. Council Tax Assurance Opinion – Substantial

Internal Audit was pleased to report that the Council has an appropriate framework in place for all aspects of Council Tax. The review indicated an area for improvement with a 'Merits Attention' action being proposed relating to the need to strengthen counter fraud arrangements, with clear guidelines issues to officers relating to the procedures for the referral and investigation of potentially fraudulent cases. An action plan was agreed by the Head of Revenues and Benefits Shared Service.

10. NNDR Assurance Opinion – Substantial

Internal Audit reported that the Council has an appropriate framework in place for the administration of NNDR. Overall, the review did not indicate any significant weaknesses or areas for improvement and, accordingly, a clearance report was duly issued.

Further reviews in respect of Benefits, Chilwell Olympia Sports Centre, Flexi-time Policy/Time Recording System, Information Management, Rents and Retirement Living are ongoing and the reports have yet to be finalised. These will be included in the next progress report to Committee.

Current Audit Performance

Overall 74% of planned audits for 2016/17 are near to completion as at 2 March 2017. This level of performance is similar to what was achieved at this stage in the previous year. The overall target for 2016/17 is 90% and this is expected to be achieved.

APPENDIX 2

INTERNAL AUDIT FOLLOW-UP

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the audit.

The table below provides a summary of the progress made with agreed actions for internal audit reports issued between May 2014 and August 2016 (i.e. within six months of completion), excluding clearance reports. Those audits where all actions have previously been reported as completed have also been excluded from this list.

No	Audit Title	Report Issued	Opinion	Actions	
				Significant/ Merits Attention	Progress
34	Flexi-time System 2013/14	21/05/14	LIMITED	10 (5/5)	Current Audit
14	Leasehold Service Charges 2014/15	19/09/14	Reasonable	6 (0/6)	1 Outstanding
01	Procurement 2015/16	28/05/15	Reasonable	3 (1/2)	1 Outstanding
45	Housing Repairs 2014/15	21/07/15	Reasonable	4 (1/3)	1 Outstanding
09	Anti-Social Behaviour 2015/16	09/09/15	Reasonable	3 (0/3)	1 Outstanding
10	CCTV 2015/16	09/09/15	LIMITED	3 (2/1)	2 Outstanding
29	Main Accounting 2015/16	29/03/16	Substantial	4 (0/4)	1 Outstanding
31	Human Resources – Training 2015/16	31/03/16	Reasonable	3 (0/3)	1 Outstanding
34	Bank Reconciliation	18/05/16	Substantial	2 (0/2)	Completed
35	Information Management	24/05/16	Reasonable	2 (0/2)	2 Outstanding
36	Household Refuse/Bulky Waste	06/06/16	Reasonable	5 (1/4)	4 Outstanding
37	Trade Waste Refuse Collection	06/06/16	Reasonable	7 (1/6)	2 Outstanding
03	Licensing	19/07/16	Substantial	1 (0/1)	1 Outstanding
39	Sundry Debtors	29/07/16	Substantial	2 (0/2)	1 Outstanding
05	Choice Based Lettings	17/08/16	Substantial	2 (0/2)	Completed
06	Housing Voids Management	17/08/16	Substantial	2 (0/2)	1 Outstanding
40	Benefits	18/08/16	Reasonable	3 (0/3)	2 Outstanding
07	Asset Register (Estates Management)	18/08/16	Reasonable	4 (1/3)	2 Outstanding
08	Creditors and Purchasing	18/08/16	LIMITED	3 (1/2)	Completed

Further details of progress being made with agreed actions that have not yet been fully implemented are included below along with comments from management reflecting any updates on progress. Evidence of implementation will not be routinely sought for all actions as part of this monitoring process. Instead, a risk-based approach will be applied to conducting further follow-up work.

Where the agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

OUTSTANDING ACTIONS

1. LEASEHOLD SERVICE CHARGES		April 2014, Reasonable Assurance, Agreed Actions – 6
1.1. Repair Cost Apportionment		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A commitment to improve the arrangements for apportioning repair charges with a view to increasing billing accuracy ('right first time'). A temporary solution will involve the Maintenance Inspector assessing each repair enquiry from a leaseholder by surveying the site and duly reporting his recommendations.</p> <p>Going forward, the Leasehold Officer will quality check the detail of all repair works to be recharged to leaseholders.</p> <p><u>Managers Responsible</u> Housing Allocations & Options Manager/Housing Repairs Manager</p>	<p><u>Management Progress Report of the Housing Allocations and Options Manager and the Housing Repairs Manager</u></p> <p>The Housing Repairs team has reviewed every repair cost relating to leasehold properties in order to identify any anomalies.</p> <p>The upgrade of the housing management system software will provide the necessary functionality to provide this scale of data that would greatly reduce the margin of error previously attached to calculating cost of repairs in connection with leaseholders. The upgrade has commenced and is estimated to be completed in September 2018.</p>	
2. PROCUREMENT		April 2014, Reasonable Assurance, Agreed Actions – 3 (with 1 Significant)
2.1 Procurement e-Learning Package		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>An e-Learning package will be developed to raise awareness of the law, regulations and other matters surrounding procurement and the systems in place at the Council. This will complement the existing support and guidance that is provided by the Procurement and Technical Officer.</p> <p><u>Managers Responsible</u> Head of Finance Services/Procurement and Technical Officer</p>	<p><u>Management Progress Report of the Procurement and Technical Officer</u></p> <p>There were substantial issues experienced following the upgrade of the e-procurement system that has delayed its implementation. The revised target date for launch is now July 2017. The e-Learning package will be developed after this time. In the meantime, regular reminder emails and the 'Procurement Matters' newsletter serves to remind officers of basic procurement requirements.</p>	

3. HOUSING REPAIRS		July 2015, Reasonable Assurance, Agreed Actions – 4 (with 1 Significant)
3.1 Rechargeable Works – Protocol		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A written policy for rechargeable works relating to housing repairs will be prepared and communicated to the relevant teams.</p> <p>A further training programme will be provided for front-line staff involved in this area, including Customer Services, Housing Inspectors and Retirement Living Officers. In addition, a diagnostic package within the Housing Repairs system is being reconfigured to potentially support the recharging process.</p> <p><u>Manager Responsible</u> Housing Repairs Manager</p>	<p><u>Management Progress Report of the Housing Repairs Manager</u></p> <p>This matter has been taken up by the Homes Service Review Group as their project for 2016/17. The group is scrutinising policies and procedures and is planning to visit the Contact Centre as part of their review. The aim of this group is to produce a report recommending improvements to the current service which will then be implemented by the team. Four of the six planned tenant meetings have already taken place. The final report from the group is expected on 1 June 2017.</p>	
4. ANTI-SOCIAL BEHAVIOUR		September 2015, Reasonable Assurance, Agreed Actions – 3
4.1 Training		Progressing
<p><u>Agreed Action</u> (Merits Attention)</p> <p>An ‘at-a glance’ style awareness leaflet will be produced for anti-social behaviour and distributed via the intranet to all employees.</p> <p><u>Managers Responsible</u> Head of Public Protection Chief Public Protection Officer</p>	<p><u>Management Progress Report of the Head of Public Protection</u></p> <p>Following the formal approval of the ASB Policy, the leaflet has been prepared for distribution. This will be completed by the end of March.</p>	

5. CCTV		September 2015, Limited Assurance, Agreed Actions – 3 (with 2 Significant)
5.1 CCTV Management and Control		Progressing
5.2 CCTV Policy		Progressing
<p><u>Agreed Actions (Significant)</u></p> <p>There is consideration of establishing a central management and control function in respect of CCTV at Broxtowe, with the proposal to create this expertise under the revised remit of the Parking Manager.</p> <p>A comprehensive policy/guidance document covering the operation of CCTV systems across the Council will be created having due regard to the relevant legislation, regulations and codes of practice.</p> <p>To support this process, the Parking Manager will initially complete a schedule of visits to all satellite sites with CCTV systems to offer guidance and support. These visits will include a summary review of the respective systems in place and, where appropriate, immediate restrictions will be applied if found to be necessary. Whilst the Parking Manager will be the direct contact for advice and support, a responsible officer will be identified for individual systems at each site.</p> <p><u>Managers Responsible</u></p> <p>Head of Property Services Parking Manager</p>	<p><u>Management Progress Report of the Head of Property Services and the Parking Manager</u></p> <p>Centralised management has taken place in respect of 90% of the Council’s camera surveillance stock and now comes under the remit of the Parking Manager. All sites have been visited. The individual purpose, necessity and need for each system have been identified and reviewed with recommendations made in relation to the appropriateness, centralisation and continued monitoring responsibilities of each system.</p> <p>All officers previously associated with surveillance systems have now received guidance on appropriate use in line with the Government’s Camera Surveillance Commissioner’s principles for surveillance.</p> <p>The Parking Manager has made further progress on centralisation and is also advising Liberty Leisure on its operations. The actual or virtual centralisation of all Council systems is proving difficult and will require dedicated resources to fully complete this process. A lack of staff resource in Parking Services does not allow an alternative site visit-based monitoring and enforcement option. Additional resources have been approved in principle, but are subject to negotiating a cost-saving deal on CCTV monitoring with Ashfield, Gedling and Newark and Sherwood which is still ongoing.</p> <p>As a result the process of developing an updated and more accurate comprehensive policy to reflect the Council’s surveillance activities has been delayed.</p>	

6. MAIN ACCOUNTING March 2016, Substantial Assurance, Agreed Actions – 4	
6.1. Year-End Closedown – Whole of Government Accounts	Progressing
<p><u>Agreed Action</u> (Merits Attention)</p> <p>The latest closedown timetable will focus on producing the draft Statement of Accounts 2015/16 by 31 May 2016 in anticipation of the requirement to achieve this by 2017/18 as set out in the Accounts and Audit Regulations 2015. This should provide an opportunity to learn lessons and identify potential difficulties and, in turn, should create the capacity to ensure that the WGA return is completed alongside the Statement of Accounts from 2016/17.</p> <p><u>Manager Responsible</u> Head of Finance Services</p>	<p><u>Management Progress Report of the Head of Finance Services</u></p> <p>The closedown timetable for 2016/17 will focus upon producing the draft Statement of Accounts by 31 May 2017 in anticipation of the statutory deadline set out in the Accounts and Audit Regulations 2015 that becomes effective from 2017/18.</p> <p>Due to the present staffing situation in Finance Services with new officers and vacant positions, the closedown timetable has not addressed the objective of completing the WGA return for 2016/17 alongside the Statement of Accounts for the year.</p> <p>However, work has been undertaken to review a number of financial processes (e.g., greater standardisation of budget monitoring reports, a streamlined approach to central support recharges etc.) that should create more capacity to allow attention to be given to completing various annual returns (e.g. WGA, RO forms, etc.) alongside the production of the Statement of Accounts from 2017/18 onwards.</p>

7. HUMAN RESOURCES (TRAINING) March 2016, Reasonable Assurance, Agreed Actions – 3	
7.1 Personal Development Reviews	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A new Core Abilities Framework is to be adopted, with a suitable mechanism for completing the review process being agreed for each service area, in conjunction with the respective Head of Service.</p> <p>Personal Development Action Plans will be produced from the outcomes of individual Core Abilities assessments. These action plans will be managed locally rather than being held centrally by the Training team. However, there will be consideration of the potential to use the functionality of Broxtowe Learning Zone to allow for employees and managers to record completion of their reviews. The system should then identify those sections where regular reviews are not completed and enable exception reports to be generated for senior management consideration.</p> <p><u>Manager Responsible</u> Chief Executive</p>	<p><u>Management Progress Report of the Chief Executive</u></p> <p>A Core Abilities Framework has been developed that will be used as a basis to assess the performance of all employees across the Council. This has been discussed at GMT/SMT, amended and agreed.</p> <p>An eLearning module along with detailed background information on how the Core Abilities Framework has been developed, shared with GMT and SMT, amended and adopted as part of the Appraisal process and is available on the Broxtowe Learning Zone (BLZ).</p> <p>A new Appraisal process has been developed, discussed at GMT and SMT, amended and adopted for use using the functionality available through BLZ, along with an eLearning module on the principles of undertaking effective appraisals and personal action plans.</p> <p>Meetings with Heads of Service are being arranged to set timetables and agree the basis of the appraisal format for their sections. The completion of appraisal for all employees will be undertaken through BLZ which will allow for monitoring and reporting of completion. This process commences its corporate roll out from April 2017.</p>

8. INFORMATION MANAGEMENT		May 2016, Reasonable Assurance, Agreed Actions – 2
8.1 Compliance with Records Destruction Schedules		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>Information Asset Owners should be required to certify that records have been destroyed in accordance with the timeframes set in respective Data Retention Schedules. This should be completed as part of the annual SIRO review process, with a supplementary question added at A5.</p> <p><u>Managers Responsible</u> Chief Information Officer</p>	<p><u>Management Progress Report of the Chief Information Officer</u></p> <p>The next SIRO audit will include a need for Information Asset Owners to confirm deletion in line with their agreed documented (Information Asset Register) arrangements.</p>	
8.2 Information Risk Management Plans		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A set format should be produced for information risk management plans and shared with Information Asset Owners for completion.</p> <p><u>Managers Responsible</u> Chief Information Officer</p>	<p><u>Management Progress Report of the Chief Information Officer</u></p> <p>An overarching risk document has been produced and is being discussed across the partnership. Some guidance will follow which will focus Information Asset Owners on ensuring that the generic information management training is applied appropriately.</p>	

9. HOUSEHOLD AND BULKY WASTE		June 2016, Reasonable Assurance, Agreed Actions – 5 (including 1 ‘Significant’)
9.1 Duty of Care Visits		Outstanding
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A suitable programme will be produced and actioned for undertaking duty of care visits to escort samples of waste through the disposal processes to confirm that the contractors employed are safely managing the waste once it leaves the depot and to meet with the obligations of the Environmental Protection Act.</p> <p><u>Managers Responsible</u> Environment and Business Development Manager Operations Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>Due to resource issues this item has not progressed. A revised target date of June 2017 is proposed. In the meantime, a sample review of the waste streams will be undertaken by the end of March, including kerbside garden waste, fly tipping and mixed municipal.</p>	
9.2 Missed Bin Collections		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>Missed bin reports will be provided to management for review. These reports will be used to identify issues relating to particular rounds and/or addresses in order for suitable action to be taken to reduce the number of missed collections.</p> <p>There will be further evaluation of the policy relating to missed bin collections with a view to reducing costs in this area.</p> <p><u>Managers Responsible</u> Environment and Business Development Manager Operations Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>The policy relating to missed bin is currently being reviewed. It is proposed that any proposed changes which will improve the efficiency of the missed bin service will be taken to the Leisure and Environment Committee in November 2017.</p>	

9. HOUSEHOLD AND BULKY WASTE COLLECTION (Continued)	
Progressing	
9.3 Review of Collection Rounds	
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A review of the current rounds has been completed with a view to optimising routes and improving working efficiencies. A report has been produced for consideration by the Chief Executive and General Management Team. Further works are in-hand with regards to briefing Members and consulting with the public. The new rounds are anticipated to commence in Spring 2017.</p> <p><u>Managers Responsible</u> Head of Environment Environment and Business Development Manager Operations Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>Draft rounds in the north of the borough have been produced. The southern rounds are being worked on. Due to resources issues and work priorities, namely the processing of income for the garden waste subscription, the revised implementation date for new rounds is November 2017. This will synchronise with the calendar distribution so enable savings to be made from not having to pay for multiple distributions of information to those properties affected by a change in collection day.</p>
Outstanding	
9.4 Income Reconciliation for Special Collections	
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The formal reconciliation of special collection income (bulky items) will be reinstated and completed on a monthly basis to ensure that all monies received agree to the amounts expected and to the transactions posted on the general ledger. This check will be evidenced by way of a signature.</p> <p><u>Managers Responsible</u> Environment and Business Development Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>Due to resources issues the reconciliation process has not been established yet.</p>

10. TRADE WASTE		June 2016, Reasonable Assurance, Agreed Actions – 7 (including 1 ‘Significant’)
10.1 Review of Collection Rounds		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A review of the current rounds has been completed with a view to optimising routes and improving working efficiencies. A report has been produced for consideration by the Chief Executive and General Management Team. Further works are in-hand with regards to briefing Members and consulting with the public. The new rounds are anticipated to commence in Spring 2017.</p> <p><u>Managers Responsible</u> Head of Environment Environment and Business Development Manager Operations Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>Data cleansing has been undertaken and new collections rounds are currently been generated. The target date for the implementation of the new rounds is September 2017.</p>	
10.2 Checks to Confirm Customer Inventory		Progressing
<p><u>Agreed Action</u> (Merits Attention)</p> <p>Officers will use ‘duty of care’ visits to validate the number and type of bins held by a customer to ensure that this is accurate to the record listed on the Bartec system.</p> <p>The risks will be further mitigated by providing new labels for customers to apply to their trade waste bins in 2016/17.</p> <p><u>Managers Responsible</u> Environment and Business Development Manager Operations Manager</p>	<p><u>Management Progress Report of the Environment and Business Development Manager</u></p> <p>New labels will be distributed for the 2017/18 season. Duty of Care visits are undertaken by Environmental Technician and assets are verified against the number as outlined on the trade waste agreement. A sample of random independent checks still needs to be undertaken. These will be done March 2017.</p>	

11. LICENSING		July 2016, Substantial Assurance, Agreed Actions – 1
11.1 Income Reconciliation		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A quarterly reconciliation will be completed to confirm that the income recorded (and the number of licenses issued) in the Licensing system agrees to the income recorded in the General Ledger. The reconciliation will be evidenced by way of signatures of those completing and reviewing the reconciliation.</p> <p><u>Manager Responsible</u> Licensing Manager</p>	<p><u>Management Progress Report of the Head of Public Protection</u></p> <p>The report to draw off the required figures has been produced but there are a few issues which need to be resolved. The report is currently being run on a monthly basis to identify these. It is hoped to be fit for purpose by the end of March 2017.</p>	
12. SUNDRY DEBTORS		July 2016, Substantial Assurance, Agreed Actions – 2
12.1 Accounts to Legal for Recovery Action		Outstanding
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>Monthly reconciliations of the Civica Legal system to the Sundry Debtor system will be undertaken promptly in order to ensure the accurate and efficient operation of the recovery processes.</p> <p>Efforts will continue to develop the robustness and efficiency of the monthly reconciliation. The support of the Performance and Projects Officer would be welcomed as part of this process.</p> <p>Furthermore, Legal Officers will continue to check the details held on Civica Legal against the Sundry Debtors system whenever necessary as part of their attempts to recover outstanding debts.</p> <p><u>Manager Responsible</u> Chief Solicitor and Deputy Monitoring Officer</p>	<p><u>Management Progress Report of the Chief Solicitor and Deputy Monitoring Officer</u></p> <p>Although attempts have been made to streamline the reconciliation process, there are still considerable difficulties in reaching the necessary reporting functionality within the Civica Legal system in order to achieve an efficient and effective solution. This is being pursued with the software supplier, in conjunction with the Accountancy and Audit and Control teams.</p> <p>In the meantime action will be taken to ensure that the year-end reconciliation is satisfactorily completed in accordance with required timeframes.</p>	

13. HOUSING VOIDS MANAGEMENT August 2016, Substantial Assurance, Agreed Actions – 2	
13.1 Financed Rents	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The processes surrounding the use of ‘financed rent’ compensation payments will be strengthened to address the issues raised, including:</p> <ul style="list-style-type: none"> • Formal procedure notes will be agreed and guidance produced to define the circumstances when a ‘financed rent’ compensation payment is considered appropriate. This will include the creation of a pro-forma request document for approval. • Financed rents will only be approved by the Head of Housing or nominated deputy. • When a decision is taken to grant a financed rent, the officer responsible will record the details on the system to justify the decision. This record will include the name of the authorising officer and date of the decision. • Separately identified budgets will be established for sections that can initiate financed rents. Spending will be measured against the targets to monitor performance and to confirm that the number of cases and awards granted is properly controlled. • Where a financed rent award is considered, the necessary details will be promptly provided to the Rents section to ensure that any recovery action is placed on temporary hold and to allow for monitoring of any cases where payments have not been received. <p><u>Managers Responsible</u> Head of Housing/Housing Allocations and Options Manager</p>	<p><u>Management Progress Report of the Lettings Manager</u></p> <p>A process is in place for financed rent payments to be made in special circumstances. Further support from Internal Audit is requested to ensure that these arrangements comply with all the recommended key controls.</p>

14. BENEFITS		August 2016, Reasonable Assurance, Agreed Actions – 3
14.1 Fraud Investigation		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>An evaluation of the fraud requirement within Revenues and Benefits will be undertaken, in conjunction with the Deputy Chief Executive, with a view to establishing a more formal shared fraud arrangement with Erewash.</p> <p><u>Manager Responsible</u> Head of Revenues and Benefits Shared Service</p>	<p><u>Management Progress Report of the Head of Revenues and Benefits Shared Service</u></p> <p>The Head of Revenues and Benefits Shared Service has been working with the Chief Audit and Control Officer in establishing the principles of a formal fraud framework. This framework will detail a fraud strategy and identify specific resource availability to support the improvement in this area, including drawing on resources available at other authorities including, but not exclusive to Erewash Borough Council.</p>	
14.2 Documentation of Benefits Systems		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>Revised operational details will be formally documented as and when new processes are agreed and finalised.</p> <p>In the longer term there will be consideration of utilising any training opportunities offered by the Benefits training resources available at Erewash as part of the shared service management arrangement.</p> <p><u>Managers Responsible</u> Head of Revenues and Benefits Shared Service Quality and Control Manager</p>	<p><u>Management Progress Report of the Head of Revenues and Benefits Shared Service</u></p> <p>Broxtowe and Erewash BC have commenced a formal project to evaluate the prospect of a more integrated shared services partnership between the two authorities. As part of this, factors such as training resources will be included and utilised to ensure consistency is applied to Revenues and Benefits.</p>	

15. ASSET REGISTER		August 2016, Reasonable Assurance, Agreed Actions – 4 (including 1 ‘Significant’)
15.1 Timeliness of Asset Valuations Submissions		Progressing
<p><u>Agreed Action (Significant)</u></p> <p>The asset valuations supplied to the Head of Finance Services will be submitted by the end of February in accordance with the timetable for the production of the Annual Statement of Accounts.</p> <p><u>Manager Responsible</u> Estates Manager</p>	<p><u>Management Progress Report of the Estates Manager</u></p> <p>The asset valuations due by the end of February have not yet been completed, however these should be close to completion by this date.</p>	
15.2 Security of Title Deeds		Progressing
<p><u>Agreed Action (Merits Attention – Necessary Control)</u></p> <p>An application will be made to the Land Registry to register the titles for Cavendish Lodge (C387) and The Lodge Community Centre (B179). This will be done in conjunction with the ongoing first registration process for other land not yet registered.</p> <p><u>Manager Responsible</u> Chief Solicitor & Deputy Monitoring Officer</p>	<p><u>Management Progress Report of the Chief Solicitor and Deputy Monitoring Officer</u></p> <p>The matter relating to first registration of the titles for Cavendish Lodge and The Lodge Community Centre are being progressed but the target date requires further deferment.</p>	

Joint report of the Deputy Chief Executive and the Chief Audit and Control Officer**FRAUD AND CORRUPTION PREVENTION POLICY AND MONEY LAUNDERING PREVENTION POLICY**1. Purpose of report

To approve the updated corporate policies relating to fraud and corruption and money laundering prevention.

2. Detail

Fraud and corruption are a serious and ongoing threat to the financial health of the public sector. It is estimated that almost £300 million each year is lost as a result of fraudulent acts both against and within public sector organisations. The Council acknowledges the significant negative impact fraudulent and corrupt acts can have on the Council, the delivery of its Corporate Plan and the services provided to residents.

A recent Internal Audit review of corporate anti-fraud arrangements found that the Fraud and Corruption Prevention Policy was in need of a refresh. The updated policy is now provided at appendix 1 for approval. The policy is intended to document the Council's approach to prevent fraud and corruption. It is proposed that Internal Audit will take a more prominent role in leading and co-ordinating anti-fraud and corruption activities from April 2017. Internal Audit will be supported in this by procuring specialist fraud investigation services as required from local partners, including Erewash Borough Council.

In addition, the Money Laundering Prevention Policy was also due to be updated to ensure that the document remains fit for its purpose. The updated policy is provided at appendix 2.

The Equality Impact Assessments for both policies is provided at appendix 3.

Regular progress reports relating to fraud and corruption prevention activity (including money laundering) will be submitted to future meetings of this Committee.

Recommendation

The Committee is asked to RESOLVE that the updated Fraud and Corruption Prevention Policy and the Money Laundering Prevention Policy be approved.

Background papers

Nil

APPENDIX 1

FRAUD AND CORRUPTION PREVENTION POLICY

1. Introduction

Fraud and corruption are a serious and ongoing threat to the financial health of the UK public sector. The latest report from the Chartered Institute of Public Finance and Accountancy (CIPFA) estimates that almost £300 million each year is lost as a result of fraudulent acts both against and within local authorities and other public sector organisations.

Broxtowe Borough Council acknowledges the significant negative impact fraudulent and corrupt acts can have on the Council, the delivery of its Corporate Plan and the services provided to residents.

This policy is intended to document the Council's approach to fraud and corruption prevention.

2. Policy Statement

The Council takes a zero-tolerance approach to fraud and corruption. The Council is committed to establishing a strong anti-fraud and corruption culture and will take all necessary steps to prevent, detect and punish fraudulent and corrupt acts.

Where a fraudulent or corrupt act is proven to have taken place, the Council will take all appropriate action against the perpetrator and pursue all available options to recover any losses.

3. Definitions

'Fraud' is the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain.

Fraud could include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. Fraud can be perpetrated by individuals both internal and external to the Council's business.

The Fraud Act 2006 creates a general offence of fraud and describes and defines three key types of fraud that are most relevant to the Council, its employees and its contractors:

- Fraud by false representation
- Fraud by failure to disclose information when there is a legal duty to do so
- Fraud by abuse of position.

In each case:

- The defendant's conduct must be dishonest;
- Their intention must be to make a gain; or cause a loss or the risk of a loss to another;
- No gain or loss needs actually to have been made;
- The maximum sentence is 10 years' imprisonment.

Under the Theft Act 1968:

- A person is guilty of theft if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it; and 'thief' and 'steal' shall be construed accordingly.
- It is immaterial whether the appropriation is made with a view to gain, or is made for the thief's own benefit.

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

The Serious Fraud Office gives the following examples of corruption:

- Bribery – giving or receiving something of value to influence a transaction (see further on the Bribery Act 2010 below)
- Illegal Gratuity – giving or receiving something of value after a transaction is completed, in acknowledgment of some influence over the transaction
- Extortion – demanding a sum of money or goods with a threat of harm (physical or business) if demands are not met
- Conflict of Interest – where a Member or Officer has an economic or personal interest in a transaction (“the failure to disclose an interest in order to gain financial or other pecuniary benefit”).
- Kickback – a portion of the value of the contract demanded as a bribe by an official for securing the contract
- Corporate Espionage – theft of trade secrets, theft of intellectual property, or copyright piracy
- Commission/Fee – used by a company or individual to obtain the services of an agent/agency for assistance in securing a commercial contract.

The Bribery Act 2010 regards bribery and corruption as involving the offering and acceptance of a reward for doing something or perhaps not doing something that would usually occur in connection with contracts or decision making and includes offences such as:

- The offer, promise or giving of financial or other advantage to another person in return for the person improperly performing a relevant function or activity
- Requesting, agreeing to receive or accepting a financial or other advantage intending that, in consequence a relevant function or activity should be performed improperly.
- A commercial organisation responsibility for a person, associated with the organisation, bribing another person for the purpose of obtaining or retaining business for the organisation.

4. Culture

The Council believes that the majority of its customers, members, officers and other stakeholders act with integrity and behave honestly in all their dealings with the Council. It is anticipated that a small minority of individuals will commit dishonest acts towards the Council which will have a negative impact on the Council's ability to provide services to the public.

A number of policies and other documents are available which support individuals in their interactions with the Council. These include:

- Constitution
- Financial Regulations
- Code of Conduct
- Commissioning and Procurement Strategy
- Public Procurement Regulations
- Whistleblowing Policy
- Grievance Policy and Procedure.

The Council recognises the importance of its Members and employees as a critical component in implementing this Fraud and Corruption Prevention Policy. Members and employees are positively encouraged to raise any concerns, however trivial they may appear, in accordance with the Fraud and Corruption reporting procedure detailed in section 5, below.

Regular training, updates and reminders will be provided to all Members and Officers to ensure that the whole Council remains vigilant to the threat posed by fraudulent and corrupt acts.

The Council commits itself, through its Members and Officers:

- to never offer, pay, make, seek or accept a personal payment, gift or favour in return for favourable treatment to influence a business outcome or gain a business advantage
- to ensure adherence to legal requirements, contracts procedure rules, financial procedure rules, codes of conduct and best practice.

- to decline illegal or inappropriate gifts and hospitality, cash or cash equivalents, loans or hospitality events/meals
- to carry out appropriate due diligence enquiries where there are suspicions about whether legitimate funds are being used to support business transactions
- not to violate intellectual property rights
- not to misappropriate or misuse information assets, particularly where this is contrary to the data protection legislation
- to identify conflicts of interest and ensure withdrawal from decision making that creates or could be seen to be creating a conflict of interest.

5. Reporting Procedure

The Council's Financial Regulations within its Constitution require that "the Deputy Chief Executive shall be notified forthwith, by the Chief Officer of the department concerned, of any circumstances which suggest the possibility of irregularity affecting cash, stores or other property of the Council. Any irregularity shall be investigated and reported upon by the Chief Audit and Control Officer to the Deputy Chief Executive who shall, where appropriate, inform the Chief Officer of the circumstances concerned. If fraud or serious irregularity is disclosed the matter shall be reported to the Chief Executive".

The process for reporting suspicions of fraudulent or corrupt acts within the Council is the same as that for reporting matters of general malpractice as outlined in Section 6 of the Council's Whistleblowing Policy.

The Whistleblowing Policy provides assurance that an individual who reports concerns in good faith will not be at risk of suffering any form of retribution as a result even if those concerns are mistaken.

In order for an individual to be afforded the protections provided by the Whistleblowing Policy the steps outlined therein must be adhered to. Suspicions reported to Managers, Chief Officers, the Monitoring Officer or the Chief Executive under the process outlined in the Whistleblowing Policy which contain allegations (direct or indirect) of fraud or corruption should be referred onto the Chief Audit and Control Officer (via the Deputy Chief Executive as appropriate) to conduct initial enquires as outlined in section 6.3 below.

6. Role of Internal Audit

Internal Audit traditionally plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. Internal Audit may be requested to investigate cases of suspected financial irregularity, fraud or corruption, in accordance with agreed procedures. The authority of the Deputy Chief Executive or his authorised representative to access premises, documents, records and explanations, if required for the purposes of the internal audit, are supported within the Financial Regulations.

6.1 Risk Assessment

The Deputy Chief Executive, as the Council's Section 151 Officer, is responsible for the ongoing assessment of the risk to the Council of financial or other loss resulting from fraud and corruption.

Whilst the focus of this risk assessment will be the potential financial loss and/or disruption to services to the public, other important areas such as reputational risk and impact on employee welfare will also be considered.

The risk assessment will be completed by the Chief Audit and Control Officer, in conjunction with Chief Officers and Senior Management across the Council, and will take into account published guidance and other information from Central Government, CIPFA, National Fraud Initiative or similar and other relevant organisations.

6.2 Detection and Prevention

The risk assessment will provide the basis for an ongoing detection and preventative audit work programme to be performed. Internal Audit will liaise with management to recommend changes in procedures to reduce risks and prevent losses to the Council.

6.3 Response

The role of Internal Audit has been extended to act as a co-ordinating and investigating service for all non-benefit related fraud and corruption reports and to manage the Council's response to such reports. Benefit fraud alerts are reported to the Single Fraud Investigation Service (SFIS) operated by the Department for Work and Pensions. Referrals are made by the key point of contact: a post part-funded by SFIS within the Council's Benefits department.

Internal Audit will perform initial enquires to develop a complete understanding of the suspected fraudulent or corrupt activity as reported. This may involve interviewing the person making the report, other individuals and/or a review of corporate financial systems and/or other systems and records.

The Chief Audit and Control Officer will then determine the appropriate response to the report, which may involve:

- Primary investigation by Internal Audit
- Referral to specialist third-party fraud investigators, including local authority partners
- Referral to the Police and/or the National Crime Agency.

Documents relating to the disclosure of fraud and corruption activity will be retained for a period of up to five years.

6.4 National Fraud Initiative

Internal Audit will act as the single point of contact for participation in National Fraud Initiative data matching programmes or similar such exercises. It will be supported in this process by the respective Heads of Service and Service Managers with responsibilities for the service, system and function being subjected to review under the scheme.

7. Review of the Policy

This policy will be kept under review by the Chief Audit and Control Officer on an annual basis and the outcome of that review will be presented to the Deputy Chief Executive. The approval of the policy shall be the responsibility of the appropriate Committee.

APPENDIX 2

MONEY LAUNDERING PREVENTION POLICY1. Scope

This policy applies to all Members and Officers of the Council and aims to maintain the high standards of conduct that exist within the Council by preventing criminal activity through money laundering. The policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations.

2. Definitions

'Money Laundering' is the term used for a number of offences, which are established in Part 7 (sections 327 to 329) of the Proceeds of Crime Act 2002, and include:

- concealing, disguising, converting, transferring criminal property or removing it from the UK;
- entering into or becoming involved in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- acquiring, using or possessing criminal property.

These are the primary money laundering offences and thus prohibited acts under the legislation. There are however two secondary offences, being:

- failure to disclose any of the three primary offences;
- tipping off a person or people who are, or who are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

Potentially any Member or Officer of the Council could be caught by the money laundering provisions, if they suspect money laundering and become involved with it in some way and/or do nothing about it. This Policy sets out how any concerns should be raised.

Whilst the risk to the Council of contravening the legislation is low, it is important that Members and Officers are familiar with their responsibilities and appropriate and proportionate anti-money laundering procedures and reporting arrangements are put in place.

The legislation concerning money laundering includes:

- The Proceeds of Crime Act 2002
- The Serious Organised Crime and Police Act 2005
- The Money Laundering Regulations 2007, as revised by the Crime and Courts Act 2013 and the Serious Crime Act 2015.

This legislation contains a broad definition of money laundering and increased the range of activities covered by the statutory framework. As a result, the requirements impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

3. Policy Statement

The Council is committed to the prevention, detection and reporting of money laundering and will do all it can:

- to prevent the Council and its Members and Officers being exposed to money laundering;
- to identify the potential areas where money laundering may occur; and
- to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

The Council expects all Members and Officers to be vigilant for the signs of money laundering and any employee who suspects money laundering activity must report this promptly to the Money Laundering Reporting Officer (MLRO).

4. Money Laundering Reporting Officer (MLRO)

The Deputy Chief Executive is the officer nominated to receive disclosures about money laundering activity within the Council. In his absence, notifications can be made to his nominated deputies being the Head of Finance Services and the Chief Audit and Control Officer.

5. Obligations

The Council must:

- implement a procedure to enable the reporting of suspicions of money laundering;
- provide training to those considered most likely to encounter money laundering activities;
- maintain client identification procedures in certain circumstances;
- maintain robust record keeping procedures; and
- report any suspicious activity to the National Crime Agency (NCA).

The safest way to ensure compliance with the law is to apply these requirements to all areas of work undertaken by the Council. This means that all Members and Officers are required to comply with the reporting procedure set out below.

6. Reporting Arrangements

Any Member/Officer who suspects money laundering activity must report their suspicion promptly to the MLRO using the prescribed form (although they may wish to first discuss their suspicions with the MLRO).

The sanctions for failure to report suspicious money laundering activity could include disciplinary action in line with the Disciplinary Policy procedure. For Members the equivalent sanction will be a report to the Leader of the Council for further action such as a report to the Standards Committee.

The Member/Officer must follow any subsequent directions of the MLRO and must not themselves make any further enquiries into the matter. They must not take any further steps in any related transaction without authorisation from the MLRO. The Member/Officer must not disclose or otherwise indicate their suspicions to the person suspected of the money laundering. They must not discuss the matter with others or note on the file that a report has been made to the MLRO in case this results in the suspect becoming aware of the situation.

The MLRO must promptly evaluate any disclosure report received to determine whether it should be reported to the NCA. If it is so determined to report the matter to the NCA it should be done promptly and in the prescribed manner.

The MLRO will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.

Documents relating to the disclosure of money laundering activity will be retained for a period of no longer than five years.

7. Client Identification

Where the Council is carrying out certain regulated activities, care needs to be taken to check the identity of the customer or client. This is known as carrying out customer due diligence. Regulated activity is defined as the provision 'by way of business' of advice about tax affairs, accounting services, treasury management, investment or other financial services, audit services, legal services, estate agency, services involving the formation, operation or arrangement of a company or trust, or dealing in goods wherever a transaction involves a cash payment of €15,000 or more (or equivalent).

The Council currently has a ceiling of £5,000 in respect of any single cash payment transaction (subject to the approval of the MLRO or his nominated deputy).

It is not expected that work of the Council will fall under the definition of 'relevant business' but employees must be aware of the need to carry out appropriate checks on new partners in accordance with any guidance issued.

Each section conducting relevant business must maintain records of:

- client identification evidence obtained; and
- details of all relevant business transactions carried out for clients for at least five years.

This is so that they may be used as evidence in any subsequent investigation into money laundering. Although the specific detail of the records to be kept is not prescribed in law they must be capable of providing an audit trail during any subsequent investigation. In practice, the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

8. Conclusion

The requirements concerning money laundering prevention procedures may be satisfied in a number of ways and this policy has been written so as to enable the Council to meet those requirements in a way that is proportionate to the risk to the Council of contravening the legislation.

9. Review of the Policy

This policy will be kept under review by the Deputy Chief Executive. The approval of the policy shall be the responsibility of the appropriate Committee.

A copy of the 'Notification of Money Laundering Activity Suspicion' reporting form will be made available to Members and Officers, alongside with the Money Laundering Prevention Policy on the intranet.

APPENDIX 3

EQUALITIES IMPACT ASSESSMENT

Public bodies are required in to have due regard to the need to:

- **eliminate unlawful discrimination**, harassment, victimisation and any other conduct prohibited under the Equality Act 2010;
- **advance equality of opportunity** between people who share a protected characteristic and people who do not share it; and
- **foster good relations** between people who share a protected characteristic and people who do not share it.

The Equality Act 2010 replaces previous anti-discrimination laws with a single Act. It simplifies the law, removes inconsistencies and makes it easier for people to understand and comply with it. It also strengthens the law in important ways, to help tackle discrimination and equality.

The '**Equality Duty**' for the public sector came into force in April 2011. The Equality Duty ensures that all public bodies play their part in making society fairer by tackling discrimination and providing equality of opportunity for all. It ensures that public bodies consider the needs of all individuals in their day to day work – in shaping policy, delivering services and in relation to their own employees.

The Equality Duty encourages public bodies to understand how different people will be affected by their activities so that policies and services are appropriate and accessible to all and meet different people's needs. By understanding the effect of their activities on different people, and how inclusive public services can support and open up people's opportunities, public bodies are better placed to deliver policies and services that are efficient and effective.

The Equality Duty replaces the three previous public sector equality duties and covers the following **protected characteristics**:

- age
- disability
- gender reassignment
- pregnancy and maternity
- race – this includes ethnic or national origins, colour or nationality
- religion or belief – including lack of belief
- sex
- sexual orientation

It also applies to marriage and civil partnership, but only in respect of the requirement to have due regard to the need to eliminate discrimination.

Having **due regard** means consciously thinking about the aims of the Equality Duty as part of the process of decision making. This means that consideration of equality issues must influence the decisions reached by public bodies, including how they act as employers, how they develop, evaluate and review policies, how they design, deliver and evaluate services, and how they commission and procure from others.

Having due regard to the need to **advance equality of opportunity** involves considering the need to:

- remove or minimise disadvantages suffered by people due to their protected characteristics;
- meet the needs of people with protected characteristics; and
- encourage people with protected characteristics to participate in public life or in other activities where their participation is low.

Fostering good relations involves tackling prejudice and promoting understanding between people who share a protected characteristic and others.

Complying with the Equality Duty may involve treating some people better than others, as far as this is allowed by discrimination law. For example, it may involve making use of an exception or the positive action provisions in order to provide a service in a way which is appropriate for people who share a protected characteristic.

The Equality Duty also explicitly recognises that disabled people's needs may be different from those of non-disabled people. Public bodies should therefore **take account of disabled people's impairments** when making decisions about policies or services. This might mean making reasonable adjustments or treating disabled people better than non-disabled people in order to meet their needs.

There is no explicit requirement to refer to the Equality Duty in recording the process of consideration but it is good practice to do so. Keeping a record of how decisions were reached will help public bodies demonstrate that they **considered the aims of the Equality Duty**. Keeping a record of how decisions were reached will help public bodies show how they considered the Equality Duty. Producing an Equality Impact Assessment after a decision has been reached will not achieve compliance with the Equality Duty.

It is recommended that assessments are carried out in respect of new or revised policies and that a copy of the assessment is included as an appendix to the report provided to the decision makers at the relevant Committee meeting.

Where it is clear from initial consideration that a policy will not have any effect on equality for any of the protected characteristics, no further analysis or action is necessary.

Public bodies should take a proportionate approach when complying with the Equality Duty. In practice, this means giving greater consideration to the Equality Duty where a policy or function has the potential to have a discriminatory effect or impact on equality of opportunity, and less consideration where the potential effect on equality is slight. The Equality Duty requires public bodies to think about people's different needs and how these can be met.

**EQUALITY IMPACT ASSESSMENT (EIA)
FRAUD AND CORRUPTION PREVENTION POLICY**

Directorate:	Deputy Chief Executive's Department	Lead officer responsible for EIA	Martin Paine
Name of the policy or function to be assessed:		FRAUD AND CORRUPTION PREVENTION POLICY	
Officer undertaking the assessment:		Martin Paine	
Is this a new or an existing policy or function?		Update and amalgamation of existing policies	

1. What are the aims and objectives of the policy or function?

Fraud and corruption are a serious and ongoing threat to the financial health of the public sector. The latest report from CIPFA estimates that almost £300 million per annum is lost as a result of fraudulent acts both against and within local authorities and other public sector organisations. The Council acknowledges the significant negative impact fraudulent and corrupt acts can have on the Council, the delivery of its Corporate Plan and the services provided to residents. The policy is intended to define the corporate approach to fraud and corruption.

2. What outcomes do you want to achieve from the policy or function?

The policy will define the Council's tolerance and approach to fraud and corruption. It also provides the framework for the establishment of formal procedures that should be followed in the event of suspected fraud and corruption activity being identified and reported.

3. Who is intended to benefit from the policy or function?

The Council, its Officers and Members, local residents and third party organisations including suppliers, contractors and the voluntary sector.

4. Who are the main stakeholders in relation to the policy or function?

The Council, its General Management Team, Officers and Members. As an 'internal' policy, the wider population are not directly considered to be stakeholders.

5. What baseline quantitative data do you have about the policy or function relating to the different equality strands?

None. There has been no prior collection of quantitative data relating to fraud and corruption activity and the different equality strands.

6. What baseline qualitative data do you have about the policy or function relating to the different equality strands?

None. There has been no prior collection of qualitative data relating to fraud and corruption activity and the different equality strands.

7. What has stakeholder consultation, if carried out, revealed about the nature of the impact?

The policy is an amalgamation and revision of existing policies and provides the framework for the establishment of formal procedures that should be followed in the event of suspected fraud and corruption activity being identified and reported. It is considered that the policy has been, and will continue to be, applied equally across the different equality strands.

8. From the evidence available does the policy or function affect or have the potential to affect different equality groups in different ways? In assessing whether the policy or function adversely affects any particular group or presents an opportunity for promoting equality, consider the questions below in relation to each equality group:

- **Does the policy or function target or exclude a specific equality group or community? Does it affect some equality groups or communities differently? If yes, can this be justified?**

The policy provides the scope, definition, culture, obligations, statement and procedural guidance that should be followed in the event of suspected fraud and corruption activity being identified and reported. These are considered to be applicable to all groups. No specific group or community is targeted and, if affected, all should be affected equally.

- **Is the policy or function likely to be equally accessed by all equality groups or communities? If no, can this be justified?**

The policy is considered to define the Council's tolerance and approach to fraud and corruption. It also provides the framework for establishing formal procedures that should be followed in the event of suspected fraud and corruption activity being identified and reported.

This policy will be circulated and made available to all Officers and Members on the intranet. Fraud awareness training will be made available to those considered to work in higher risk areas. Direct advice and support will also be available from the Chief Executive, Deputy Chief Executive, Monitoring Officer and the Chief Audit and Control Officer/Internal Audit as required.

- **Are there barriers that might make access difficult or stop different equality groups or communities accessing the policy or function?**

As above. This policy will be circulated and made available to all Officers and Members on the intranet. Fraud awareness training will be made available to those considered to work in higher risk areas. Direct advice and support will also be available from the Chief Executive, Deputy Chief Executive, Monitoring Officer and the Chief Audit and Control Officer/Internal Audit as required.

- **Could the policy or function promote or contribute to equality and good relations between different groups? If so, how?**

No.

<ul style="list-style-type: none"> • What further evidence is needed to understand the impact on equality? <p>None.</p>
<p>9. On the basis of the analysis above what actions, if any, will you need to take in respect of each of the equality strands?</p>
<p>Age: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected fraud and corruption activity.</p>
<p>Disability: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected fraud and corruption activity.</p>
<p>Gender: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected fraud and corruption activity.</p>
<p>Gender Reassignment: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected fraud and corruption activity.</p>
<p>Marriage and Civil Partnership: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected fraud and corruption activity.</p>
<p>Pregnancy and Maternity: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected fraud and corruption activity.</p>
<p>Race: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected fraud and corruption activity.</p>
<p>Religion and Belief: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected fraud and corruption activity.</p>
<p>Sexual Orientation: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected fraud and corruption activity.</p>
<p>Head of Service:</p> <p>I am satisfied with the results of this EIA. I undertake to review and monitor progress against the actions proposed in response to this impact assessment.</p> <p>Signature of Head of Service:</p>

**EQUALITY IMPACT ASSESSMENT (EIA)
MONEY LAUNDERING PREVENTION POLICY**

Directorate:	Deputy Chief Executive's Department	Lead officer responsible for EIA	Martin Paine
Name of the policy or function to be assessed:		MONEY LAUNDERING PREVENTION POLICY	
Officer undertaking the assessment:		Martin Paine	
Is this a new or an existing policy or function?		Update of an existing policy	

1. What are the aims and objectives of the policy or function?

The Money Laundering Prevention Policy aims to maintain the high standards of conduct that exist within the Council by preventing criminal activity through money laundering. The policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations.

2. What outcomes do you want to achieve from the policy or function?

The policy will help to ensure that the Council is meeting with its legal obligations and assist in the establishment of formal procedures that should be followed in the event of suspected money laundering activity.

3. Who is intended to benefit from the policy or function?

The Council, the designated Money Laundering Reporting Officer (MLRO) and his nominated deputies, Officers and Members and local residents.

4. Who are the main stakeholders in relation to the policy or function?

The Council, the designated MLRO and his nominated deputies, Officers and Members. As an 'internal reporting' policy, the wider population are not directly considered to be stakeholders.

5. What baseline quantitative data do you have about the policy or function relating to the different equality strands?

None. There has been no prior collection of quantitative data relating to money laundering activity and the different equality strands.

6. What baseline qualitative data do you have about the policy or function relating to the different equality strands?

None. There has been no prior collection of **qualitative** data relating to money laundering activity and the different equality strands.

7. What has stakeholder consultation, if carried out, revealed about the nature of the impact?

The policy is a revision and update of an existing document and provides guidance as to the procedures that should be followed in the event of a suspected money laundering event. It is considered that the policy has been, and will continue to be, applied equally across the different equality strands.

8. From the evidence available does the policy or function affect or have the potential to affect different equality groups in different ways? In assessing whether the policy or function adversely affects any particular group or presents an opportunity for promoting equality, consider the questions below in relation to each equality group:

- **Does the policy or function target or exclude a specific equality group or community? Does it affect some equality groups or communities differently? If yes, can this be justified?**

The policy provides the scope, definition, obligations, statement and procedural guidance relating to reporting arrangements that should be followed in the event of a suspected money laundering event. These are considered to be applicable to all groups. No specific group or community is targeted and, if affected, all should be affected equally.

- **Is the policy or function likely to be equally accessed by all equality groups or communities? If no, can this be justified?**

The policy is considered to be for internal recording/reporting purposes only. The reporting mechanism requires the completion of a 'Notification of Money Laundering Activity Suspicion' reporting form. This will be available to Officers and Members, along with the Policy, on the intranet.

Those Officers who are considered to be at a higher risk than average of having to report suspected money laundering activity (i.e. those who are regularly involved in the collection and receipt of cash) have direct access to the intranet. As such, reasonable adjustments will have already been made to their working arrangements to ensure that the form is readily accessible. Direct advice and support would also be available from the MLRO and his nominated deputies.

- **Are there barriers that might make access difficult or stop different equality groups or communities accessing the policy or function?**

As above. Those Officers who are considered to be at a higher risk than average of having to report suspected money laundering activity (i.e. those who are regularly involved in the collection and receipt of cash) have direct access to the intranet. As such, reasonable adjustments will have already been made to their working arrangements to ensure that the form is readily accessible. Direct advice and support would also be available from the MLRO and his nominated deputies.

- **Could the policy or function promote or contribute to equality and good relations between different groups? If so, how?**

No.

<ul style="list-style-type: none"> • What further evidence is needed to understand the impact on equality? <p>None.</p>
<p>9. On the basis of the analysis above what actions, if any, will you need to take in respect of each of the equality strands?</p>
<p>Age: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected money laundering activity.</p>
<p>Disability: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected money laundering activity.</p>
<p>Gender: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected money laundering activity.</p>
<p>Gender Reassignment: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected money laundering activity.</p>
<p>Marriage and Civil Partnership: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected money laundering activity.</p>
<p>Pregnancy and Maternity: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected money laundering activity.</p>
<p>Race: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected money laundering activity.</p>
<p>Religion and Belief: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected money laundering activity.</p>
<p>Sexual Orientation: No impact has been identified. The policy is applied equally across all such groups and this protected characteristic would not be a determining factor in the consideration of a suspected money laundering activity.</p>
<p>Head of Service:</p> <p>I am satisfied with the results of this EIA. I undertake to review and monitor progress against the actions proposed in response to this impact assessment.</p> <p>Signature of Head of Service:</p>

Report of the Deputy Chief Executive

REVIEW OF STRATEGIC RISK REGISTER1. Purpose of report

To recommend approval of amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

2. Detail

Following the report to the last meeting of this Committee and in accordance with the timescales set out in the Risk Management Strategy, the Strategic Risk Management Group met on 8 February 2017 to review the Strategic Risk Register. The General Management Team (GMT) considered the proposals from the Strategic Risk Management Group on 15 February 2017. The objectives of the review were to:

- Identify the extent to which risks included in the Strategic Risk Register are still relevant
- Identify any new risks to be included in the Strategic Risk Register
- Review action plans to mitigate risks.

Details of proposed amendments to the Strategic Risk Register and action plans resulting from the above process are attached in the appendix. A risk map is also included in the appendix to assist the understanding of scores allocated to risks within the Strategic Risk Register.

A revised copy of the Strategic Risk Register incorporating the proposed amendments is available on the intranet. Details of further reviews of the Strategic Risk Register will be reported to future meetings of this Committee.

Recommendation

The Committee is asked to RESOLVE that the amendments to the Strategic Risk Register and the action plans to mitigate risks as set out in the appendix be approved.

Background papers

Nil

APPENDIX

Risk Map

High	<u>Important risks</u> - which may potentially affect the provision of key services or duties 6	<u>Key risks</u> - which may potentially affect the provision of key services or duties 7	<u>Immediate action</u> - to prevent serious threat to provision and/or achievement of key services or duties 9
Impact	<u>Monitor as necessary</u> - less important but still could have a serious effect on the provision of key services or duties 3	<u>Monitor as necessary</u> - less important but still could have a serious effect on the provision of key services or duties 5	<u>Key risks</u> - which may potentially affect the provision of key services or duties 8
Low	<u>No action necessary</u> 1	<u>Monitor as necessary</u> - ensure being properly managed 2	<u>Monitor as necessary</u> - less important but still could have a serious effect on the provision of key services or duties 4
	Low	Likelihood	High

Summary of proposed amendments to strategic risks and action plans

Inherent Risk – Gross risk **before** controls and mitigation

Residual Risk – Risk remaining **after** application of controls and mitigating measures

STRATEGIC RISK REGISTER

List of risks in order of significance

Risk	Inherent Risk	Residual Risk	Changes
1. Failure to maintain effective corporate performance management and implement change management processes	9	5	<p>The PRINCE2 project management framework has been added as a key control whilst project progress reports are added as a risk indicator.</p> <p>A new action point to ensure that major corporate projects have suitable governance arrangements incorporating all relevant stakeholders was added. This is considered in more detail below.</p>
2. Failure to obtain adequate resources to achieve service objectives	9	9	<p>One completed action to appoint a Commercial Manager was deleted.</p> <p>A new action point to update the Business Strategy was added.</p>
3. Failure to deliver the Housing Revenue Account (HRA) Business Plan	9	7	<p>Two completed actions to implement the Housing and Planning Act 2016 requirements in respect of high income social tenants and to produce and obtain approval for a Rent Income Management Policy were deleted.</p> <p>A new action point to assess the likely implications of the Housing White Paper issued in February 2017 was added.</p>
4. Failure of strategic leisure initiatives	9	9	<p>Some of the systems required for the effective running of Liberty Leisure (including purchasing, creditors etc.) are still not fully operational over four months after the new company commenced trading. Whilst this matter should soon be resolved, this demonstrates the requirement for proper governance arrangements for major corporate projects as set out under Risk 1.</p> <p>An action point to refurbish the Health Suite at Bramcote Leisure Centre has been added.</p>

Risk	Inherent Risk	Residual Risk	Changes
5. Failure to complete the re-development of Beeston town centre	9	9	No change.
6. Not complying with domestic or European legislation	9	7	<p>New rules known as IR35 (Off Payroll Working in the Public Sector) come into effect from April 2017 concerning the use by a public sector body of an individual that receives payment through a personal service companies (PSC). This is considered in more detail further below.</p> <p>An action to assess and then address any requirements resulting from the introduction of IR35 has been added.</p>
7. Failure of financial management and/or budgetary control and to implement agreed budget decisions	9	7	<p>The action to prepare annual accounts in accordance with corporate and legislative timescales includes the requirement under the Accounts and Audit Regulations 2015 to complete and publish the final accounts by 31 May and 31 July respectively (currently 30 June and 30 September) with effect from the 2017/18 financial year.</p>
8. Failure to maximise collection of income due to the Council	9	7	<p>The action to monitor the impact of removing the nominal charge per transaction when making payments for certain Council services by credit card has been deleted.</p> <p>The action to introduce the facility for the garden waste collection service customers to pay by direct debit has been replaced with an action to monitor the use of different payment methods by customers of the service.</p>
9. Failure of key ICT systems	9	6	<p>Geo-location blocking on the firewall has been added as a key control. An action point to assess the impact of the National Cyber Security Standard has been added.</p>
10. Failure to implement Private Sector Housing Strategy in accordance with Government and Council expectations	9	5	<p>The Disabled Facilities Grant Policy has been added as a key control.</p>

Risk	Inherent Risk	Residual Risk	Changes
11. Failure to engage with partners/community to implement the Broxtowe Sustainable Community Strategy 2010 – 2020	9	5	No change.
12. Failure to implement effective Crime and Disorder Reduction Strategy	9	5	<p>One completed action to develop an e-Learning module on domestic violence and abuse was deleted.</p> <p>New action points have been added as follows:</p> <ul style="list-style-type: none"> • Implement the ECINS case management and data sharing system for all anti-social behaviour cases referred to Council departments. • Review the Alcohol Licensing Policy and Taxi Licensing Policy.
13. Failure to provide housing in accordance with the Local Development Framework	9	9	<p>The action to finalise the publication of the draft Part 2 Local Plan and to present the draft Part 2 Local Plan to the Jobs and Economy Committee in January 2017 has been replaced with an action to ensure all necessary infrastructure requirements are delivered to facilitate the development of the housing sites determined at the Jobs and Economy Committee for inclusion in the Part 2 Local Plan.</p>
14. Natural disaster or deliberate act, which affects major part of the Authority	9	7	No change.
15. Failure to mitigate the impact of the Government's welfare reform agenda	9	7	No change.
16. Failure to maximise opportunities and to recognise the risks in shared services arrangements	9	7	No change.
17. Corporate and/or political leadership adversely impacting upon service delivery	9	7	An action point has been added to support an external investigation into complaints and grievances involving the conduct of officers of the Council.
18. High levels of sickness	8	5	No change.

Risk	Inherent Risk	Residual Risk	Changes
19. Lack of skills and/or capacity to meet increasing initiatives and expectations.	8	5	A completed action to review the Personal Development Review (PDR) process has been deleted. New action points have been added to develop a new People Strategy for approval by Members and to develop a formal Apprenticeship Strategy.
20. Inability to attract or retain key individuals or groups of staff	8	5	No change.
21. Failure to achieve recycling targets in a cost effective manner	7	2	No change.
22. Failure to fully utilise investment in ICT infrastructure	7	5	A completed action to take advantage of any implementation of superfast broadband in Broxtowe was deleted.
23. Processes or procedures not followed leading to ill informed decisions and/or abuse of Council facilities	7	5	No change.
24. Failure to comply with duty as a service provider and employer to groups such as children, the elderly, vulnerable adults etc.	7	5	No change
25. Failure to ensure appropriate levels of data quality	7	5	No change.
26. Unauthorised access of data	7	5	A completed action to consider the impact of the National Cyber Security Standard was deleted. The Standard has been added as a key control.
27. High volumes of employee or client fraud	6	5	No change.
28. Failure to effectively communicate either externally or internally	5	5	Senior Management Team (SMT) briefings have been added as a key control.

Further Details

The following items are highlighted for the attention of Members.

1. Failure to maintain effective corporate performance management and implement change management processes (Risk 1)

Recent experience with major corporate projects (such as the formation of Liberty Leisure and its accompanying infrastructure) has demonstrated the importance of having an appropriate project management framework in place. This will help to ensure that all relevant stakeholders are involved, issues identified, risks managed, timescales met and that the project achieves its objectives. This has particular significance where a project requires input from both other departments and external organisations.

2. Not complying with domestic or European legislation (Risk 6)

New rules known as IR35 come into effect from 6 April 2017 concerning the use by a public sector body of an individual that receives payment through a personal service companies (PSC).

A public body will have to decide if it is engaging someone who is legitimately self-employed or if the PSC is simply a means for the contractor concerned to receive payments without the deduction of taxation or employee national insurance contributions. If the public body decides the latter case applies, then the public body (or the agency through which the contractor PSC is supplied) will need to withhold taxation and employee national insurance contributions. In addition, the body withholding taxation will need to pay employers' national insurance contributions on the payment.

An action point to assess and then address any requirements resulting from the introduction of IR35 (Off Payroll Working in the Public Sector) from 6 April 2017 has been added to the Strategic Risk Register.

Report of the Director of Legal and Planning Services

REVIEW OF GOVERNANCE – RESPONSES TO QUESTIONNAIRE1. Purpose of report

This report provides members with a summary of the responses given to the questionnaire that was circulated with full Council papers for the meeting of the 14 December 2016.

2. Summary

The questionnaire was distributed to members and heads of service. One response from an officer and eight responses from members were received. An extension was requested by the Chair of Governance, Audit and Standards and the questionnaire was circulated again on 11 January 2017. There were no further responses. Another reminder was sent on 8 February 2017 and one further response was received, but it only responded to the part of the questionnaire regarding full Council. This is included at appendix 3.

A summary of these responses is included at appendix 1. The officer's response is included at appendix 2. Members are reminded that the committee system cannot be altered within five years unless a referendum is held. Any proposed changes to the system resulting from the questionnaire could be recommended to a full Council meeting for consideration.

Recommendation

The Committee is asked to consider the responses and RESOLVE accordingly.

Background papers

Nil

Summary of responses

Committee Meetings

1. Do you think committee meetings are effective? Please explain your answer.

Yes and no. They address the immediate issues on the agenda, but not any cross cutting issues with responsibilities of other Committees.

Yes, Committees involve all 44 councillors in making decisions.

They seem to be but it is important that the agendas are not too long. Research shows that meetings should not be longer than two hours as they become less productive.

Sometimes. They do not offer any scrutiny at all. We are presented with some choices but at the outset, the ruling group propose and second their preference and therefore not open to the opinions of all Councillors.

Lack of scrutiny!

The Committee meetings are much more effective under the new system and much more democratic.

Not effective because:

1. Can only accept or reject – v. occasionally to make an alteration. It does not have the authority that scrutiny EIG had.
2. Agendas are very full and are raced through, not even page by page.
3. It is much more difficult to challenge or to identify as Councillors are not involved in how the decisions are made.

I do like the Committee system as it could allow more discussion on various issues.

2a. Does the format of meetings allow for challenge and scrutiny?

Yes

Challenge, yes, scrutiny not so sure.

I think so. It is important that the relevant EIG people to give them information.

No. Very often the decision has been made in closed rooms by the ruling group who have no regard to others' opinions.

I don't feel they do.

There is more scrutiny discussions which therefor allows more challenging discussions.

No and I do not think a Committee can scrutinise its own work. A separate overall scrutiny is required. Without scrutiny we are not democratic, not transparent.

No.

2b. If not, what could be changed?

No Answer

I feel that it is OK as it is not change required

No Answer

To give it more scrutiny focus, the deputy chairs should be from opposition parties on a pro rata basis.

Not sure.

N/A

Establish a separate Scrutiny Group that would scrutinise all the work of the Committees. To meet at least four times a year.

I think any member, even if not on a Committee should not only be allowed to attend any meeting but they should also be allowed to speak at any meeting.

3. To what extent does the format and structure of committee meetings allow for discussion?

They seem to be quite open to allowing discussion.

In operation it does allow for discussion so it must be OK.

Members have the opportunity to raise questions. It is important that the papers are informative and understood by members.

Depends on the Chairman. Some rush through the business far too quickly and stifle debate

Housing is Chaired well I fell and planning – can't comment for others.

The Committees are given more ownership which again encourages more meaningful discussion.

V. little – agendas are so long, there is not enough time and we do not go through systematically page by page, resulting in Councillors not owning the Committee reports.

It is okay if you are a member of a Committee, but if you are not a member of a Committee you have to ask to speak and it comes across that some people do not like none Committee members to speak on issues.

4. How has the Committee system made you feel more involved in the decision making process?

As a former Cabinet member, I feel less.

It has removed Cabinet involvement and that alone makes you feel more involved

I feel involved with the Committees I am involved in. I am not sure I feel involved in other Committees.

It hasn't. I feel more distant than Cabinet.

Can't comment as I can't compare.

Again the new system gives more decision making responsibility, everyone on the Committee is involved in that decision making responsibility.

I feel far less involved. It is difficult to group issues when there is no communication between meetings. Very few questions are asked in Committee, I keep asking questions and feel isolated. The ruling party v. rarely asks questions.

It has not done.

5. What would you change about the way meetings are structured?

Nothing.

Nothing.

No answer.

See above re. deputy chairmen.

?

Nothing.

- a. Pre meeting immediately before the meeting - this had been done and is very effective.
- b. Main issues could be highlighted for discussion.
- c. Decisions made would be evidence based.
- d. Discussion would lead to – acceptance / alteration / reflection. Councillors to be invited to visit particular projects under discussion.

As already mentioned allow none Committee members to join in with debates and talk more, make them feel part of the meeting, after all, some people may have some good ideas whilst some Committee members never speak.

6. What would you like to see in the reports submitted to committees or is the current style and content adequate?

All seem adequate.

It's adequate.

No answer.

It's OK.

?

The present style is succinct and more than adequate.

I have always been critical of way reports and minutes are written. Minutes could be sent out 2 weeks after Committee instead of 1 week before next. Action points should be recorded. Reasons and arguments would make members understand and be able to contribute. All decisions should be evidence based.

I did prefer when reports went to all Council as well.

7. How effective do you think working groups are?

- **Computer Working Group**
- **Member Training and Development Working Group**
- **Energy Efficiency Working Group**

No answer.

I am only involved in one and that is effective and has measurable results.

The Members Training and Development Group has not been allocated the support it should. It is difficult to find a convenient time for these events. E-learning feels like the answer.

They need to be abolished and brought into the committee structure.

Can't comment.

I am unsure how to answer this question as I do not sit on any of these Committees.

- a. Computer Working Group – I know not. I still have regular computer lessons and go to ICT frequently.

- b. MTDWG – useless, no support from senior council members, training should be made mandatory with allowances withheld. Way forward i) meetings pre-Committee / Council ii) e-learning for Committees you are on plus others e.g. data protection, planning, domestic violence, protections issues.
- c. Energy Efficiency Working Group seems to have got lost – could and should be recovered.

No answer.

8. Do you have any other comments about the Committee system and how it is working?

It needs some other body or meeting for cross cutting themes.

No.

No answer.

The standard of some of the Chairmen is poor. Not up to date, poor communicators. Need training.

Training?

It is working very well.

Committees have become political, unlike scrutiny e.g. seating arrangements. Arrangement of the room itself emphasises separation, Old Council Chamber was much more cooperative.

N/A

Full Council

1. Are full Council meetings fit for purpose and effective?

Yes

Yes, but there are fewer under the committee system. Maybe there is scope for an additional one to reduce the time between full Council meetings.

No answer.

To a degree. I think questioners should be allowed more than one question (which can be given a written reply). Also there should be opportunities for other Councillors to ask supplementary questions.

Supplementary questions could be allowed?

Yes

No, nor do I find transparency. I hope the Remuneration Panel will offer their views on this. Evidence: there are no Committee reports given at Council, how do we or the public know what's happening. There is no evidence of scrutiny – Committees can't scrutinise their own work and there is no scrutiny committee to oversee the work of the Council. There is no discussion on the Committees – members are allowed 1 question in writing 48 hours in advance. No transparency therefore no openness / discussion. Public are also limited in asking questions and in hearing about the work of the Council and issues involved. Websites are not interactive and do not replace listening to discussion.

Not the way they are organising it at the minute.

2. Do meetings happen regularly enough for to allow for challenge and enquiry?

Yes

Seem to.

No answer

No. Should be bi-monthly.

I don't feel so.

Yes

No. Council meets 2016 / 17 only four times and other Committees 5 times, though the main problem is opportunity to challenge at any meeting.

No.

3. Do the meeting procedures allow for the right amount of discussion?

Yes

Yes

No there is no opportunity to question the Committees. There is no chance for spontaneous debate and give the opposition the chance to call the leading group to account.

Recent constitutional changes have stifled debate.

?

Yes, everyone is given the opportunity to have their say.

What discussion! Without the reports there is little to discuss. Also, with one party with a huge majority and with politics to the fore, unless we can influence

policy it does seem pointless. Discussion would be more likely if we did not sit in groups and the leading party encouraged it's members to speak!

They do if people would actually join in with debates and answer questions.

4. Do you think that the Committee System has changed the full Council meeting?

No

Only by reducing the number of full Council meetings.

Yes. There is little chance for debate at full Council.

Yes. All meetings both full Council and Committees are pointless, toothless talking shops.

?

Yes, it is more meaningful as everyone is involved in decision making.

Yes, it has knocked the life out of it! Speech is so limited, can it be called free speech? Information is very scarce. The public are shackled. Are we still fit for purpose? Democracy is shackled when information is not given and the right to speak is severely limited.

Yes.

5a. Members of the public can currently ask a question at a full Council meeting or present a petition. Should there be more opportunities for public participation?

No

No

I am not sure they should.

Yes

Yes

No

Yes, in the past they could initiate a scrutiny investigation and even join an EIG. They should have a right to reply on questions.

Yes

5b. If yes, how could this be achieved?

No answer

No answer

No answer

Allow them to present their own petitions and talk to it. Allow the public to participate at budget meetings.

No answer

No answer

See 5a.

Maybe allow members of the public to ask questions at Committee meeting

6. Is there anything you would change about the business conducted at full Council?

No

No

I would give the chance of questions being asked.

1. Allow Councillors to talk to petitions they present.
2. Ensure we get constitution correct. Recorded votes can be added at anytime for example.

?

No

I would allow for full reports and full questions on the reports as before. I would encourage all members to speak on appropriate issues – Committee Chairs to answer all questions.

I don't like how only one question can be asked by any members. Some people may want to ask more than one question whilst some people prefer not to speak at all.

7. Is there anything you would like to see changed about the reports submitted to full Council or are the adequate?

They seem adequate

Reports are adequate.

N/A

They are OK.

The Council should receive a full report from each Committee and questions be allowed as before.

I did like it when Chair of a Committee presented a report and could be asked questions on each report.

8. Do you have any other comments about meetings of the full Council and how they work?

No answer.

No.

It is important that the length of the agenda allows adequate discussions. If there is more material that can be dealt with we would have to have more full Council meetings.

The new constitution has neutered the effectiveness of all meetings. It seems to be designed to give more power to the ruling group and the Executive.

No answer.

Member's questions should be strictly kept to time limits.

Meetings that have a large majority of one party will always be less democratic whatever the party. Open discussion is vital as is scrutiny by a group outside the committee system.

N/A

Review of Governance – Officer Response

1. What issues are there with the new extended timetable?

The lead times for the meetings are too long, with sometimes up to 6 weeks from the date of 'submission deadline'. This with the long gap between meetings makes it difficult to project an efficient process to the external bidding contractors and does not allow for timely decision on sometimes relatively trivial matters.

It is unclear if 'deadlines' are 'deadlines'. I have Heads of Service telling me it is ok to work towards the 'Dispatch Date' rather than the 'Deadline for Submission'.

2. Do you feel that the frequency of meetings is appropriate?

It does hamper the efficiency of awarding contracts. Sometimes relevant committee meetings are 3 months apart and usually 2 months apart. Not having meetings in the summer break, when it is business as usual, is a mistake.

3. Do the meeting procedures allow for the right amount of discussion?

Once I have submitted my report I never received any feedback. I assume this is because it is ok, but I wouldn't be aware of any changes to the report if they have been made.

4. Has working more closely with councillors had an impact on the content of reports?

Unable to comment. No Councillor has ever spoken to me regarding a report.

5. Is the level of work appropriate and manageable?

Unable to comment.

6. Are working groups in their current format useful or productive?

Unable to comment.

7. Do you have any suggestions as to how the committee meeting process could be improved?

An extra meeting of each Committee each year would help with no 'summer break'. Shorter 'lead times' to meeting but making sure 'deadlines' are deadlines'.

Review of Governance – response regarding full Council

Full Council

1. Are full Council meetings fit for purpose and effective?

The changes have been disappointing.....representing my ward I need to be able to convey residential concerns when needs be.....under this current regime it is very limited.

2. Do meetings happen regularly enough to allow for challenge and enquiry?

There seems a long time in between each full council meeting which I don't feel is satisfactory. I think two to three hours in durations should be the maximum

3. Do the meeting procedures allow for the right amount of discussion?

No

4. Do you think that the Committee System has changed the full Council meeting?

Yes

5.a Members of the public can currently ask a question at full Council meeting or presents a petition. Should there be more opportunities for public participation?

This new regime limits the public....very disappointing

7. Is there anything you'd like to change about the reports submitted to full Council or are they adequate?

They are good and officers are helpful

Report of the Director of Legal and Planning Services

WORK PROGRAMME1. Purpose of report

To consider items for inclusion in the Work Programme for future meetings.

2. Background

Items which have already been suggested for inclusion in the Work Programme of future meetings are given below. Members are asked to consider any additional items that they may wish to see in the Programme.

3. Work Programme

26 June 2017	Draft Accounts Annual Review of Complaints External Audit Progress Report Corporate Governance Arrangements Internal Audit Review 2016/17 Internal Audit Progress Report Review of Strategic Risk Register
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4. Dates of future meetings

The following additional dates for future meetings have been agreed:

- 25 September 2017
- 4 December 2017
- 26 March 2018

Recommendation

The Committee is asked to CONSIDER the Work Programme and RESOLVE accordingly.

Background papers

Nil



Annual Report on grants and returns 2015/16

Broxtowe Borough Council

January 2017



Contents

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Headlines

Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim, the Council's 2015/16 Housing Benefit Subsidy claim. This had an original value of £22,701,060.
- Under separate assurance engagements we certified one return, the Housing Pooling Return. The Total Housing Capital Receipts subject to Pooling for 2015/16 was £1,257,630 (Cell F601PO – original return)

Certification and assurance results (Pages 3-5)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was unqualified and only minor amendments were required to the claim which affected the final subsidy claimed by £1,138.

Our work on the Housing Pooling Return was unqualified and only one amendment was required which did not affect the final pooling return.

Recommendations

We have made no recommendations to the Council from our work this year and agreed an action plan with officers.

In addition there were no recommendations outstanding from previous years' work on grants and returns.

Fees (Page 6)

Our fee for certifying the Council's 2015/16 Housing Benefit Subsidy grant was £9,670, which is in line with the indicative fee set by PSAA.

Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were £3,000.

Summary of reporting outcomes




Overall, we carried out work on two grants and returns:

- Both were unqualified with but both required minor amendment to the final figures.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2015/16 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1				
Other assurance engagements					
— Housing Pooling Return	2				

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p>Housing Benefits</p> <ul style="list-style-type: none"> — The authority completed discovery testing for the Rent Allowances and Rent Rebates. This was completed satisfactorily and we successfully completed re-performance testing. — Testing identified a case error which required further testing. Our initial sample testing identified that 13 cases are not correctly included in modified schemes. This resulted in an amendment of cell 55, 94 and 225 with overall amendment to the claim of £1,138. — There was no qualification letter issued, we only needed to make minor amendments. The original value of the subsidy claim was £22,701,060 which was subsequently amended to £22,702,198. — Our work on the certification of the claim was completed by the 30 November deadline. 	+/- £1,138
2	<p>Housing Pooling Return</p> <ul style="list-style-type: none"> — Housing Pooling Return – There was no qualification letter issued, we only needed to make minor amendments. The original value of Total Housing Capital Receipts subject to Pooling for 2015-16 was £1,257,630 and the minor amendments did not amend this final value. — Our work on the certification of the claim was completed by the 30 November deadline. 	+/- £0

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on the Housing Pooling Return is agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2015/16 was £12,670.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2015/16 of £9,670. Our actual fee was the same as the indicative fee, and this compares to the 2014/15 fee for this claim of £13,500.

Grants subject to other assurance engagements

The fees for our assurance work on the Housing Pooling Return is agreed directly with the Council. Our fees for 2015/16 was £3,000 and in line with those in 2014/15.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	9,670	13,500
Housing Pooling Return	3,000	3,000
Total fee	12,670	16,500



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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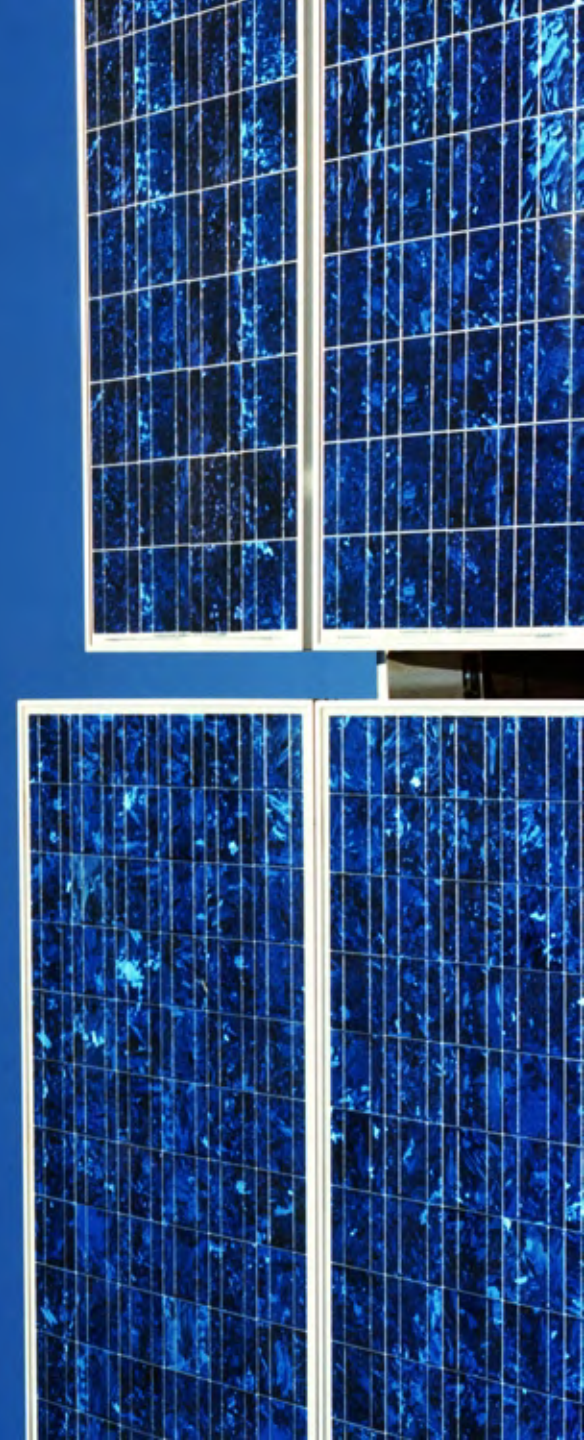


External Audit Plan 2016/17

Broxtowe Borough Council

—

March 2017



The local government landscape is complex with significant challenges, both now and going forward.

This document sets out our assessment of risks which we consider relevant to the audit of your financial statements and your Value for Money (VFM) opinion approach to the audit, and explains how we intend to address these identified risks.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Jon Gorrie, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk or by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



Financial statements audit

In 2016/17 there are noteworthy changes to the Code of Practice on Local Authority Accounting in 2016/17. These are primarily in relation to presentational changes affecting the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, and the introduction of new Expenditure and Funding Analysis.

We have set out our approach to the required audit risks as per professional standards, on fraudulent income recognition and management override of controls.

Materiality

Materiality for planning purposes has been based on last year's expenditure and has been set at £1.0 million.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £50,000.

Significant audit risks

We have identified the following risks which require specific audit attention and procedures to address the likelihood of a material financial statement error:

- Significant changes in the pension liability due to LGPS Triennial Valuation;
- Provision for business rates appeals;
- Revenue recognition; and
- Management override of controls.

Other areas of audit focus

We have identified areas which are risks, but are less likely to give rise to a material error. Nonetheless we require an audit understanding of these risks.

These are:

- Changes to the formats and reporting requirements for the required by the 2016/17 CIPFA Code of Practice on Local Authority Accounting e.g., on the Comprehensive Income and Expenditure Statement;
- Beeston Square Lease Arrangements; and
- Closedown and mapping of the accounts.

See pages 3 to 8 for more details.



Value for Money arrangements work

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk:

- Financial resilience in the local and national economy

See pages 9 to 13 for more details.



Logistics

Your core audit team is:

- Jon Gorrie, Director
- Joseph Seliong, Manager
- Milan Vashi, Assistant Manager

More details are on **page 17**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 15**.

Our fee for the audit is £ 48,503 (2015/16: £46,503) see **page 18**.

Introduction

Background and Statutory responsibilities

This document supplements our *Audit Fee Letter 2016/17* presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement)*: Providing an opinion on your accounts; and
- *Use of resources*: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 9 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2016/17.



Overview

Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls:** Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition:** We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Significant audit risks

Significant audit risks are key areas which we deem require specific audit attention due to potential for audit misstatements. Our assessment is presented below and our proposed audit approach to addressing these significant audit risks.

1. Significant changes in the pension liability due to the LGPS Triennial Valuation

During the year, the Nottinghamshire County Council Pension Fund (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pension assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council, who administer the Pension Fund.

Our approach

As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the Pension Fund Audit Team, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy of such data.

2. Provision for business rates appeals

The volatility surrounding changes to business circumstances continues in 2016/17. Under the business rates regime the authority retains a greater share of business rates collected and hence any successful appeals will directly impact on this income stream. Also, there is a change in criteria for recognising the provision for business rate appeal in 2016-17. Factors such as business rate reliefs, valuations for new businesses and change in recognition criteria will have a impact on accounting for business rates provision and remain a risk to the Authority.

Our approach

We will review the basis upon which the provision has been set including the processes and assumptions applied in order to understand the movement in the provision between this year and last.

3. Management override of controls

Management are typically in a powerful position to perpetuate fraud owing to its ability to manipulate records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our approach

In line with our methodology we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

Other areas of audit focus

We have identified areas which are risks, but are less likely to give rise to a material error. Nonetheless we require an audit understanding of these risks and have set out our approach below.

1. Disclosures associated with retrospective restatement of CIES, EFA and MiRS

During past years, CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how the Councils are funded and how they use the funding to serve the local population. Outcome of this project resulted in two main changes in respect of the 2016/17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note.

As a result of these changes, retrospective restatement of CIES (cost of services), EFA and MiRS is required from 1 April 2016 in the Statement of Accounts.

New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.

Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts, worthy of audit understanding.

Our approach

As part of our audit:

- We will assess how the Authority has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and
- We will review the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance.

Other areas of audit focus *(cont.)*

2. Beeston Square Lease Arrangements

The Authority owns land and buildings at Beeston Square which consists of a number of retail premises and residential properties for which it is the lessor. The Authority purchased the lease from the leaseholder in May 2016.

Our approach

We will continue to work with the Authority to review the accounting treatment for the 2016/17 accounts.

3. Closedown and mapping of the accounts

The Audit and Accounts Regulations 2015 require local authorities to approve and publish the accounts by 31 May and 31 July respectively (currently 30 June and 30 September). In response to our recommendation within our *External Audit Report 2015/16* dated September 2016, we understand that the timetable and accompanying guidance for accounts production is to be revised.

Our approach

We will continue to focus on the authority's closedown plan and arrangements for the preparation of the accounts. As part of this we will review on going progress with the implementation of recommendations in relation to mapping the accounts, recharging and implementation of the fixed asset register, and specifically for 2016/17 the impact of the more arms length treatment of Liberty Leisure.

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at **£1.0 million** for the Authority's accounts, which equates to 1.4% of gross expenditure for the year 2015/16.

We design our procedures to detect errors in specific accounts at a lower level of precision. This is **£750,000**.

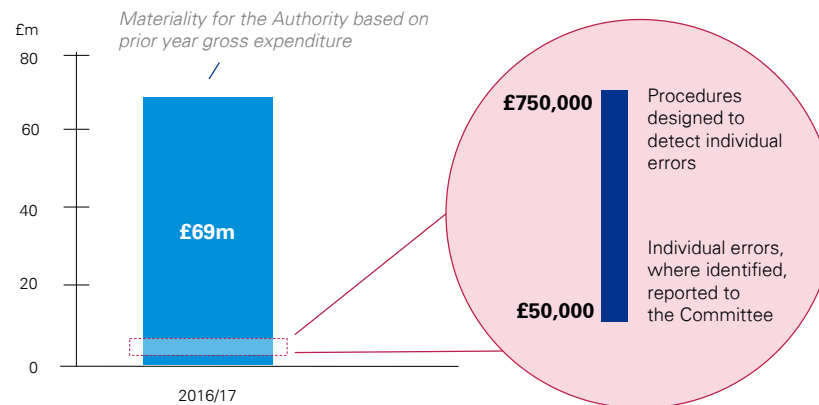
Reporting to the Governance, Audit and Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260 (UK & Ireland) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK & Ireland) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than **£50,000**.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Committee to assist it in fulfilling its governance responsibilities.



We propose to report all individual unadjusted differences greater than £50,000 to the Governance, Audit and Standards Committee.

We will also have regard to other errors below this amount if evidence of systematic error or if material by nature.

Value for money arrangements work

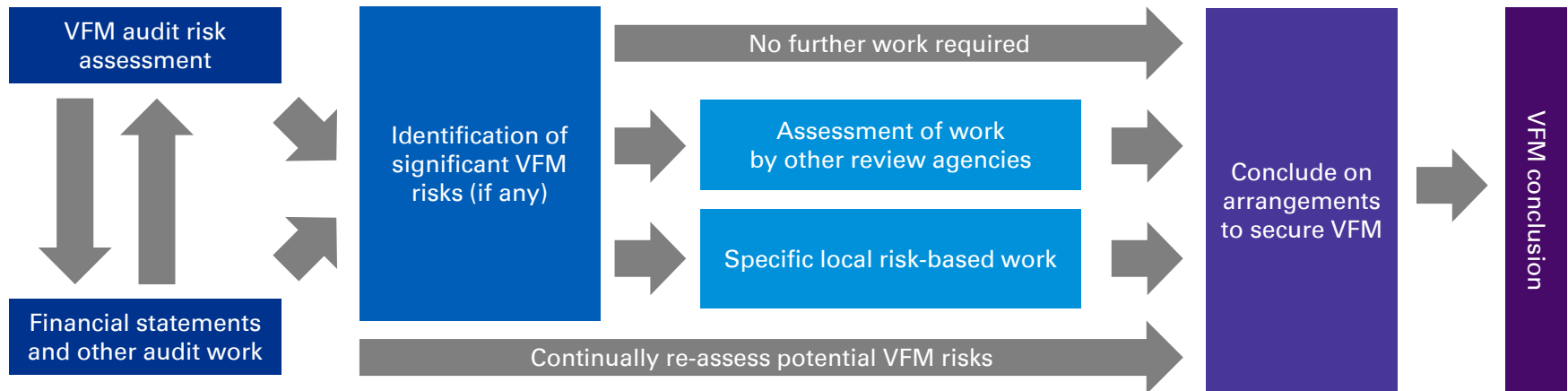
Our approach

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority *'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'*.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

the process is shown in the diagram below. Each stage is explained overleaf.

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and



Our approach (cont.)

VFM audit risk assessment

We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the Code of Audit Practice.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.

Linkages with financial statements and other audit work

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.

Identification of significant risks

The Code identifies a matter as significant *'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'*

If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work

Our approach (cont.)

Assessment of work by other review agencies

and

Delivery of local risk based work

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Meeting with senior managers across the Authority;
- Review of minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.

Concluding on VFM arrangements

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.

Reporting

We have completed our initial VFM risk assessment and have reported the results of this assessment on page 17.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Value for money arrangements work

Our approach (cont.)

Overall criterion: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.



Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Significant VFM risks

Significant VFM risks are key risks which require specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

1. Financial resilience in the local and national economy

The Government's Spending Review in 2015 confirmed its intention to move to a different funding system over the next few years – with less reliance on Revenue Support Grant and an increasing dependence on business rates income. That, together with likely significant reductions in New Homes Bonus funding from 2017/18 means the Authority continues to face financial pressures and uncertainties similar to those experienced by others in the local government sector.

The Authority has been modelling for significant reductions in Government funding in its budget forecasts. The Authority's Medium Term Financial Strategy and Business Strategy (MTFS) notes that given the acceleration in the withdrawal of Revenue Support Grant, and assuming the current strategy is implemented in full, a budget gap of £1.5 million remains at the end of four year period of the Plan (2020/21). In effect this means that annual revenue reductions, or increased income of approximately £600,000, or a combination of both is required to achieve a balanced budget over the lifetime of the strategy.

The Authority is seeking to build revenue sources to support the capital programme, which in turn can be focussed on investments and other initiatives that will generate or save revenue in the future. Plans are being developed to address the budget gap including the appointment of a new Commercial Manager. The risk for the Authority is that given the unpredictability in the local government environment and cost pressures, it is not able to develop and deliver its strategy.

Our approach

We will review the arrangements in place to manage and deliver financial savings under increasingly difficult circumstances. We will critically assess the Authority's financial standing to ensure that its MTFS has duly taken into consideration the potential funding reductions, and that it is sufficiently robust to ensure that the

Authority can continue to provide services effectively. This includes reviewing the core assumptions in the MTFS, the delivery of the Authority's savings programmes and any mitigating actions taken where savings are not being achieved in line with the plan, and evaluating the arrangements the Authority have in place in identifying further savings for future years.

We will continue to meet regularly with the S151 Officer and key staff to understand the Authority's financial position and assess the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Other matters

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Jon Gorrie. This is the third year that Jon has led the audit team, providing continuity and consistency. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in

addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Finance Team and the Corporate Governance Committee. Our communication outputs are included in appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 4 provides more details of our confirmation of independence and objectivity.

Audit fee

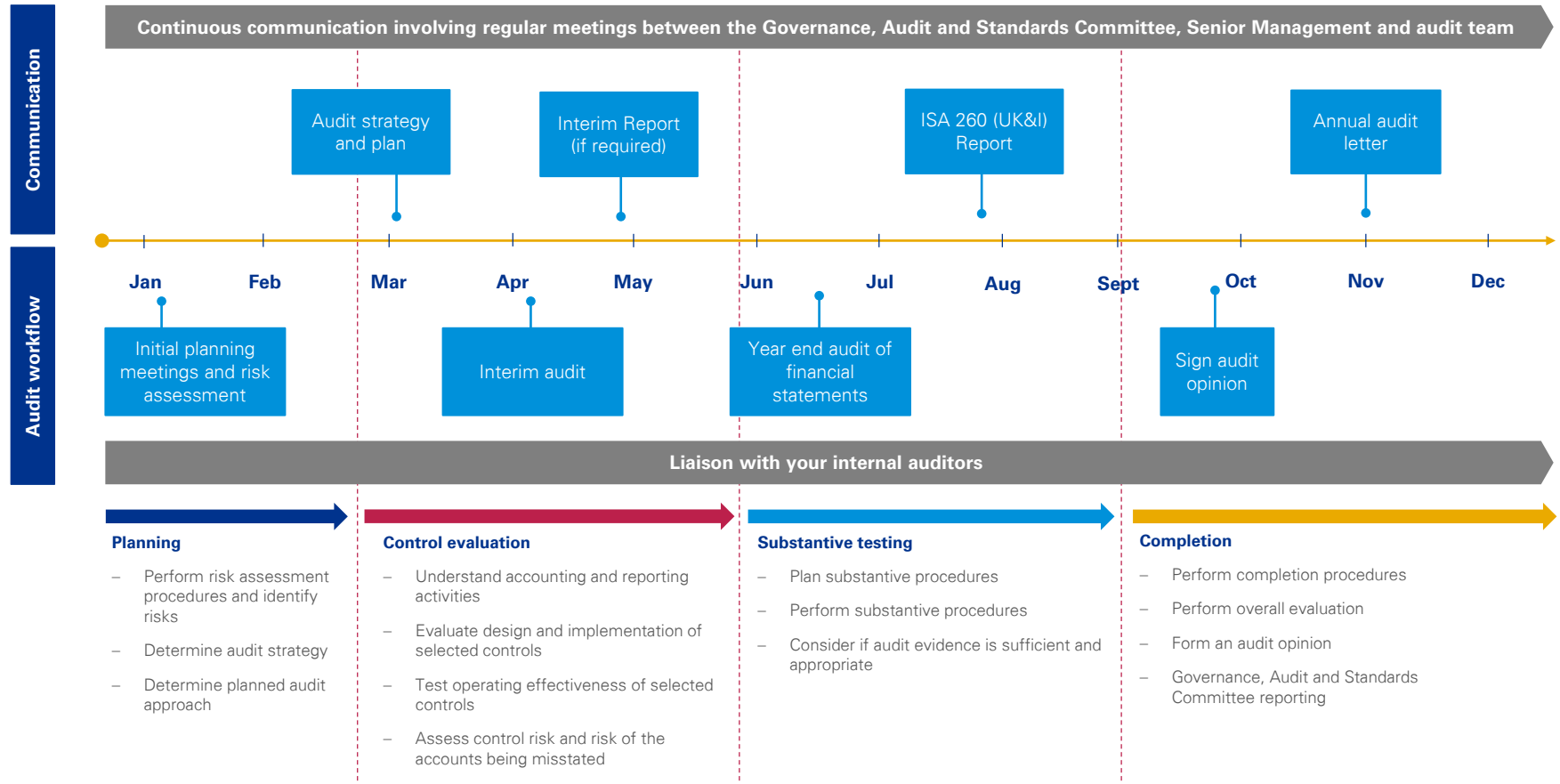
Our *Audit Fee Letter 2016/2017* presented to you in April 2016 first set out the PSAA scale fee for the 2016/2017 audit, which was £46,503 (2015/16: £46,503). This letter also set out our assumptions. Whilst the planned scale fee is unchanged from the prior year, we have subsequently identified changes to the Code which will require additional audit work (see page 6). The impact on the fee will be discussed and agreed with the Authority and subsequently, the PSAA. If such a variation is agreed with PSAA, we will report that to you in the due course.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements. See appendix 3 for further details.

We propose an additional element of £2,000 for the accounting treatment work which we have undertaken for the Beeston Square transaction that is included in the 2016/17 accounts.

1. Key elements of our approach

We adopt a continuous audit approach throughout the year including regular meetings with Senior Management, Finance team and internal audit.



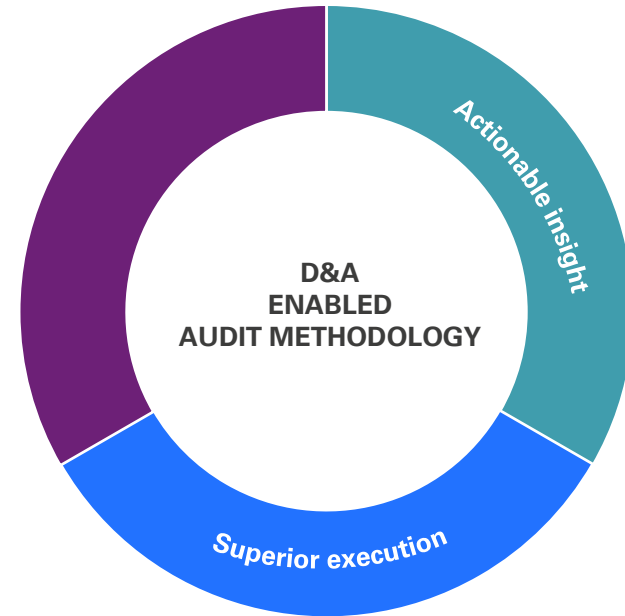
1. Key elements of our approach (cont.)

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable, payroll and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



2. Your audit team

Your audit team has been drawn from our specialist Public Sector Assurance department.



Jon Gorrie
Director

+44 121 232 3645
jonathan.gorrie@kpmg.co.uk

'My role is to lead our team and ensure the delivery of a high-quality, valued-added external audit opinion. I will be the main point of contact for the Governance Audit and Standards Committee, and the Chief Executive.'



Joseph Seliong
Manager

+44 121 232 3920
joseph.seliong@kpmg.co.uk

'I provide quality assurance for the audit work and lead the delivery of our work on any technical accounting and risk areas. I will work closely with Jon and Milan to ensure we add value. I will liaise with the Deputy Chief Executive.'



Milan Vashi
Assistant Manager

+44 121 232 3560
milan.vashi@kpmg.co.uk

'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

3. Audit fees

Our fee for 2016/17 is set out below. Our audit fee remains indicative and based on you meeting our expectations of your support.

Audit fee

Our proposed fees continue to be set by Public Sector Audit Appointments Ltd (PSAA) for 2016/17. Our proposed fees for 2016/17 are set out below:

Fee table			
Component of audit	2016/17 (planned fee) £	2015/16 (actual fee) £	2014/15 (actual fee) £
Accounts opinion and use of resources work			
PSAA scale fee	46,503	46,503	61,104
Additional work to conclude our opinions (note 1)	2,000	–	900
Subtotal	TBC	46,503	62,004
Housing benefits (BEN01) certification work			
PSAA scale fee	10,125	9,670	13,500
Additional work to conclude our certification (note 2)	TBC	–	–
Subtotal	TBC	9,670	13,500
Non-PSAA assurance work			
Pooling of Housing Capital Receipts (CFB06)	TBC	3,000	3,000
Review of rent arrears	–	10,000	–
Subtotal	TBC	13,000	3,000
Total fee for the Authority	TBC	69,173	78,504

All fees are quoted exclusive of VAT.

Note 1: Accounts opinion and use of resources work

- For 2016/17, we propose an additional element of £2,000 for the accounting treatment work which we have undertaken for the Beeston Square transaction that is included in the 2016/17 accounts. However, we will confirm our final fees with the S151 Officer upon conclusion of our risk assessment.
- For 2014/15, we carried out additional work in relation to the Authority’s Non Domestic Rates (NDR) due to the removal of the certification requirement for the NNDR3 return.

Note 2: Housing benefits (BEN01) certification work

- For 2016/17, we will confirm our final fees with the S151 Officer upon conclusion of our certification of housing benefits (BEN01) work.

Audit fee letter

Our 2016/17 fee letter was issued in April 2016 prior to the completion of our 2015/16 audit to meet required PSAA timetables.

Our fee letter set out the assumptions including the general level of risk in relation to the audit of the 2016/17 financial statements. However, we have since identified that a restatement of the financial statements is now required to meet new Code requirements (see page 7). We will continue to liaise with management on this matter.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good-quality supporting working papers, within agreed timeframes.

4. Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Governance, Audit and Standards Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of March 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

5. Responsibilities in relation to fraud

We are required to consider fraud and the impact that this has on our audit approach. We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Management responsibilities	KPMG's identification of fraud risk factors	KPMG's response to identified fraud risk factors	KPMG's identified fraud risk factors
<ul style="list-style-type: none"> - Adopt sound accounting policies. - With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud. - Establish proper tone/culture/ethics. - Require periodic confirmation by employees of their responsibilities. - Take appropriate action in response to actual, suspected or alleged fraud. - Disclose to Governance, Audit and Standards Committee and auditors: <ul style="list-style-type: none"> - Any significant deficiencies in internal controls. - Any fraud involving those with a significant role in internal controls. 	<ul style="list-style-type: none"> - Review of accounting policies. - Results of analytical procedures. - Procedures to identify fraud risk factors. - Discussion amongst engagement personnel. - Enquiries of management, Governance, Audit and Standards Committee, and others. - Evaluate broad programmes and controls that prevent, deter, and detect fraud. 	<ul style="list-style-type: none"> - Review of accounting policies. - Results of analytical procedures. - Procedures to identify fraud risk factors. - Discussion amongst engagement personnel. - Enquiries of management, Governance, Audit and Standards Committee, and others. - Evaluate broad programmes and controls that prevent, deter, and detect fraud. 	<p>We will monitor the following areas throughout the year and adapt our audit approach accordingly.</p> <ul style="list-style-type: none"> - Revenue recognition. - Purchasing. - Management control override. - Manipulation of results to achieve targets and expectations of stakeholders.

6. KPMG audit quality framework

We continually focus on delivering a high quality audit. This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff. KPMG’s Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG’s Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focussed and consistent voice. Your engagement lead sets the tone on the audit and leads by example with a clearly articulated audit strategy And commits a significant proportion of his time throughout the audit directing and supporting the team.

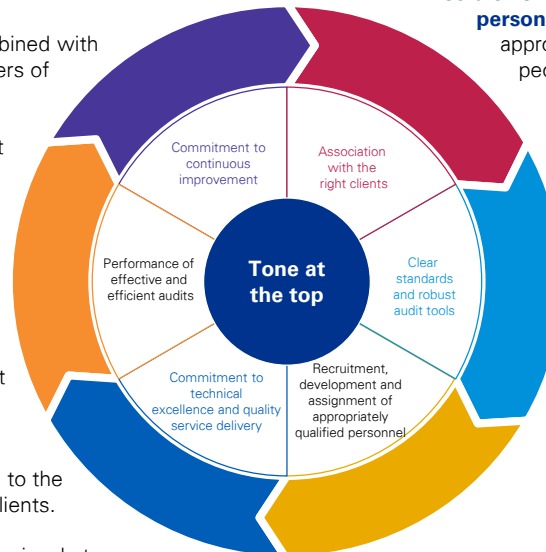
Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the Ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG’s eAudIT application has significantly

enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the NAO’s Code of Audit Practice.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority’s risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience. We have a well-developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.



The Local Government Landscape





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