

Date: 15th January 2018

The Arc
High Street
Clowne
Derbyshire
S43 4JY

Dear Sir or Madam

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held on Tuesday 23rd January 2018 at 1400 hours in the Council Chamber, The Arc, Clowne.

Register of Members' Interests - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on page 2.

Yours faithfully



Assistant Director of Governance and Monitoring Officer

To: Chair and Members of the Audit Committee

ACCESS FOR ALL

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AUDIT COMMITTEE

AGENDA

**Tuesday 23rd January 2018 at 1400 hours in the
Council Chamber, The Arc, Clowne**

Item No.		Page No.(s)
	PART 1 – OPEN ITEMS	
1.	To receive apologies for absence, if any.	
2.	To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4 (b) of the Local Government Act 1972.	
3.	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time.	
4.	To approve the minutes of a meeting held on 21 st November 2017.	3 to 9
5.	Report of the External Auditor (KPMG)	
	(A) External Audit Plan	10 to 36
6.	Report of the Internal Audit Consortium	
	(A) CIPFA Fraud and Corruption Tracker Survey 2017	37 to 64
	(B) National Fraud Initiative 2016/17 - Summary of Progress to Date	65 to 68
	(C) Summary of Progress on the 2017/18 Internal Audit Plan	69 to 74
7.	Reports of the Assistant Director – Finance and Revenues & Benefits	
	(A) Medium Term Financial Plan	To Follow
	(B) Key Issues of Financial Governance	To Follow

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber, the Arc, Clowne on Tuesday 21st November 2017 at 1400 hours.

PRESENT:-

Members:- Councillors M.J. Dooley, S.W. Fritchley, K. Reid and A.M. Syrett.

Officers:- K. Hanson (Strategic Director), D. Clarke (Assistant Director Finance, Revenues and Benefits), J. Williams (Internal Audit Consortium Manager), S. Yates (Senior Auditor), D. Bonsor (Housing Needs Manager), K. Eastwood (Interim Licensing Team Leader) (to Minute No. 0422), K. Rowland (Licensing and Enforcement Officer) (to Minute No. 0422), D. Cairns (Governance Manager (Acting)) (for Minute No. 0422 only) and A. Bluff (Governance Officer) (to Minute No. 0422).

Also in attendance at the meeting was T. Crawley, KPMG.

Councillor D. McGregor in the Chair

0413. APOLOGY

An apology for absence was received on behalf of Councillor J. Clifton.

0414. URGENT ITEMS OF BUSINESS

The Chair advised the meeting of an exempt urgent item of business, 'Update on the Status of Equal Pay Claims', which would be considered after exempt agenda item 9 (B) Licensing Update.

0415. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0416. MINUTES – 26TH SEPTEMBER 2017

Moved by Councillor K. Reid and seconded by Councillor M. J. Dooley

RESOLVED that the Minutes of an Audit Committee meeting held on 26th September 2017 be approved as a correct record.

AUDIT COMMITTEE

0417. REPORT OF THE EXTERNAL AUDITOR (KPMG)

(A) Annual Audit Letter 2016/17

Committee considered a report of the Council's External Auditor KPMG, in relation to the Annual Audit Letter 2016/17.

KPMG had issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM) conclusion for 2016/17 on 31st July 2017. This meant that KPMG were satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

In reaching their VFM conclusion KPMG had considered the Authority's arrangements for making properly informed decisions, sustainable resource deployment and working with partners and third parties. This had included detailed reviews of key documents including the Medium Term Financial Plan, Corporate Plan and Growth Strategy. KPMG's work also included the discussions held with key officers throughout the year regarding the Authority's continued plans for growth, income generation and cost savings.

In last year's Annual Audit Letter, KPMG had highlighted the uncertainty with respect to probable changes to the New Homes Bonus scheme, which were confirmed during 2016/17 and also reforms to National Non Domestic Rates (NNDR), which remained to be clarified. In response to this uncertainty, the Authority had implemented an Efficiency Plan to enable it to produce a robust Medium Term Financial Plan based on prudent and reasonable assumptions.

Audit opinion – KPMG had issued an unqualified opinion on the Authority's financial statements on 31st July 2017. This meant that KPMG believed that the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for the year. KPMG's opinion date was significantly ahead of the 30th September statutory deadline and was enabled by the high quality working papers and efficient responses to their queries provided by officers.

Members welcomed the report and expressed their thanks to staff for their good work. The Assistant Director Finance, Revenues and Benefits would pass Members comments on to the team.

Moved by Councillor A. M. Syrett and seconded by Councillor M.J. Dooley
RESOLVED that the report be noted.

0418. REPORT OF THE INTERNAL AUDIT CONSORTIUM

(A) Summary of Progress on the 2017/18 Internal Audit Plan

Committee considered a report which provided an update on progress made by the Internal Audit Consortium during October 2017 in relation to the 2017/18 Internal Audit Plan.

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The report included an appendix which provided a summary of internal audit reports issued during the period and also work in progress.

In respect of the seven audits being reported, six had been classed under the top category of 'substantial' and one report had been classed as 'reasonable'. It was also confirmed that no fraud issues had been identified in respect of the areas reviewed.

The Head of Internal Audit noted that the report was a good report.
The following audits were currently in progress;

- Housing Benefits
- Council Tax
- Housing Rents
- Taxi Licensing
- Food Hygiene

Members welcomed the report and acknowledged that it was a good report.

Moved by Councillor S. W. Fritchley and seconded by Councillor K. Reid
RESOLVED that the report be noted.

0419. REPORTS OF THE ASSISTANT DIRECTOR FINANCE, REVENUES AND BENEFITS

(A) Budget Monitoring Quarter 2 – April 2017 to September 2017

Committee considered a report of the Assistant Director Finance, Revenues and Benefits, which provided an update on the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activity. The report had been previously presented to Executive on 6th November 2017.

Members were advised that some items in the report had been superseded by the next item on the agenda, 'Revised Budget'.

General Fund

The Council had started the 2017/18 financial year with a funding gap of £170k. By the end of the second quarter savings of £156k had been achieved against the target which left £14k still to be achieved for a balanced budget.

Growth Directorate – Extra income received in quarter 2, additional to the budget, mainly related to planning fees. Previously, the Assistant Director Planning & Environmental Health had aligned the planning department structure in line with planning fees, however, if fees were increased in the future, then it may be necessary to have additional staffing to help deliver the work load. This would be monitored accordingly.

Operations Directorate – Extra income received in quarter 2, additional to the budget, mainly related to crematorium fees.

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Transformation Directorate – The new Go Active facility had done better than anticipated in its first year (opened in December 2016), however, this had created fluctuations in income and expenditure. Officers were working with the Leisure department in order to align budgets with trends.

Housing Revenue Account (HRA)

At the end of quarter 2 the HRA was showing a net surplus of £321k. Any under spend at the end of the year would be put into a development reserve that could be used for either HRA projects or HRA capital expenditure going forward.

Capital Programme

The Capital Programme budget was behind profiled expenditure and officers were working on re-profiling the budget – this would be reported to Executive in December 2017.

Treasury Management

The Council approved the 2017/18 Treasury Management Strategy in February 2017. Appendix 4 of the report identified the Treasury Management activity undertaken during the second quarter of 2017/18 and demonstrated that it was in line with the plans agreed as part of the Strategy. The income received from investments was currently higher than budgeted and it was anticipated that this would continue during the remainder of the financial year. A full assessment of this would be done during the half year review with a view to amending the budgets accordingly.

Moved by Councillor S.W. Fritchley and seconded by Councillor A.M. Syrett
RESOLVED that the report be noted.

(B) Revised Budgets

Committee considered a report which provided information on the revised budget process carried out for 2017/18.

Members were asked to note that the report would be considered by Executive at its meeting on 4th December 2017.

As reported in the last item, at the end of the second quarter the Council had still to achieve savings of £14k from a funding gap of £170k at the beginning of the year.

Budget revisions had been carried out with budget managers who were in agreement with the budget changes proposed. It had been a clear objective in the exercise not to make any budget changes that had a significant adverse impact on the service provision being delivered.

The following table provided a summary of the savings made to close the gap which left an estimated surplus of £780k.

	£000's
Go Active Leisure Centre	105
Council Tax Increase	100
Crematorium	85

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Vacancy Management	378
Increase in Planning Income	187
Miscellaneous Expenditure Reductions	95
Total Increase in Income / Reduction in Expenditure	950

Members were advised that the surplus of £780k was a 'one off' gain and would be dependent on the actual financial performance out-turn in line with the revised budgets as further costs may be identified from restructuring processes and other variances as the year progressed.

Members were advised that the surplus generated in the financial year would be transferred into the Transformation Reserve as this would maintain the Reserve at a level where it could finance the Council's transformation plans, service developments and any restructuring costs.

The appendices to the report provided the detail of the revised General Fund operational budget for 2017/18, the revised Housing Revenue Account (HRA) budgets for 2017/18 and the revised Capital Programme for 2017/18.

Members commented that the report was a good comprehensive report.

Moved by Councillor K. Reid and seconded by Councillor M.J. Dooley
RESOLVED that the report be noted.

(C) Key Issues of Financial Governance

Committee considered a report of the Assistant Director Finance, Revenues and Benefits, which provided an update concerning the main issues of financial governance where further progress or ongoing monitoring was required.

In particular, the Key Issues of Financial Governance report reflected the issues and outcomes raised by both external and internal audit in their reports.

While the evidence provided within this report indicated that the Council's financial governance arrangements were robust and were continuing to improve, it was important that this progress was maintained and outstanding issues were resolved.

The Key Issues of Financial Governance were set out below and in the view of the Chief Financial Officer constituted the main strategic financial issues currently facing the Council;

1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.
2. To improve the Council's Internal Control arrangements.
3. A report in respect of Transport Administration was assessed as unsatisfactory. The main issues concerned system weaknesses which have surrounded the introduction of a new system.

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4. Reports in respect of the administration of both Licensing and Health and Safety concluded that arrangements were marginal. Both the services concerned are joint arrangements operating across Bolsover and North East Derbyshire District councils.
5. Marginal Internal Audit reports for Social Media and S106 Agreements.
6. To maintain a high standard of external financial reporting particularly in respect of the published accounts, against a background of a reduction in the statutory timescale for the closure of accounts.

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett

RESOLVED that the report be noted.

0420. THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Moved by Councillor D. McGregor and seconded by Councillor K. Reid

RESOLVED that under Section 100(A)(4) of the Local Government Act 1972 (as amended), the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the stated Paragraph of Part 1 of Schedule 12A of the Act and it is not in the public interest for that to be revealed.

0421. REPORTS OF THE INTERNAL AUDIT CONSORTIUM

(A) Internal Audit Report

Committee considered a report of the Assistant Director Finance, Revenues and Benefits, which provided Members with an update on a 'limited assurance' internal audit report in relation to sheltered housing.

The Assistant Director Community Safety and Head of Housing (BDC) would attend the next meeting of Audit Committee in order to address any concerns the Committee had in relation to the implementation of the recommendations.

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett

RESOLVED that (1) the update be noted,

(2) the Assistant Director Community Safety and Head of Housing (BDC) attends the next meeting of Audit Committee to address any concerns the Committee may have in relation to the implementation of internal audit's recommendations.

(K. Hanson Strategic Director / Assistant Director Finance, Revenues and Benefits)

AUDIT COMMITTEE

(B) Licensing Update

Committee considered a presentation of the Interim Licensing Team Leader in relation to service improvements identified and developed in the Licensing Service.

The aim and objective of the review was to;

- Address issues of concern
- Identify service improvements
- Improve IT system (idox Uniform)
- Develop performance reporting & management
- Improve efficiency to enable officers to undertake more enforcement

Committee was advised of the actions undertaken to address the above aims and objectives, the progress to date and also the current position.

Members thanked the Interim Licensing Team Leader for the presentation and welcomed the progress made on the review of the service.

Moved by Councillor M.J. Dooley and seconded by Councillor D. McGregor
RESOLVED that the update be noted.

The Interim Licensing Team Leader and the Licensing and Enforcement Officer left the meeting.

The Governance Officer left the meeting for the following item of business.

The Governance Manager (Acting) attended the meeting for the following item of business.

0422. URGENT ITEM UPDATE ON THE STATUS OF EQUAL PAY CLAIMS EXEMPT – PARAGRAPH 3

The Leader of the Council, Councillor A. M. Syrett, provided the Committee with an update on the current status of the Equal Pay Claims made against the Council.

The claims had been split into two groups, traditional and non-traditional. The 42 traditional claims had been agreed based on them being 'rated as equivalent'. The further 79 non-traditional claims were still subject to on-going negotiations.

Once the final settlements were agreed, the Committee would receive a further update.

Members commented that the progress was helpful in providing clarity of the Council's budget position going forward.

Moved by Councillor D. McGregor and seconded by Councillor K. Reid
RESOLVED that the update be noted.

(Chief Executive Officer)

The meeting concluded at 1520 hours.

Bolsover District Council

Audit and Corporate Governance Scrutiny Committee

23rd January 2018

<u>KPMG External Audit Plan 2017/2018</u>
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Report of the Council's External Auditor KPMG

This report is Public

Purpose of the Report

- For the Audit and Corporate Governance Scrutiny Committee to consider the Audit Plan 2017/2018 attached as **Appendix 1** which has been prepared by KPMG for consideration by elected Members of the Council.

1 Report Details

- 1.1 That the Audit and Corporate Governance Scrutiny Committee consider the attached report from the Council's External Auditors (KPMG).

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit and Corporate Governance Scrutiny Committee is able to effectively consider the outcomes of the work undertaken by the Council's external auditors.

3 Consultation and Equality Impact

- 3.1 None arising directly from the report.

4 Alternative Options and Reasons for Rejection

- 4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

There are no additional financial implications arising out of this report.

5.2 Legal Implications including Data Protection

None arising directly from this report.

5.3 Human Resources Implications

None arising directly from this report.

6 Recommendations

- 6.1 That the Audit and Corporate Governance Scrutiny Committee considers and notes the attached report from the Council's External Auditors, KPMG, in respect of the external Audit Plan 2017/2018.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
District Wards Affected	N/A
Links to Corporate Plan priorities or Policy Framework	N/A

8 Document Information

Appendix No	Title
1	Audit Plan 2016/2017
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Dawn Clarke, Assistant Director – Finance and Revenues & Benefits	01246 217658



External Audit Plan 2017/2018

**Bolsover District
Council**

January 2018

Summary for Audit Committee

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. We recognise that the Authority has successfully advanced its own accounts production timetable in prior years so as to align with the new deadlines. As a result, we do not feel that this represents a significant risk, although it is still important that the authority manages its closedown process to meet the earlier deadline.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2017.

Materiality

Materiality for planning purposes has been set at **£815,000**.

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 **£40,000**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.

Summary for Audit Committee (cont.)

Financial Statements (cont.)

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of additional audit focus have been identified as:

- **Faster Close** - As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to continue to meet these deadlines and the impact on our work; and
- **Departure of Executive Directors** - Within the 2017/18 year, both the Joint Executive Director – Operations and the Joint Executive Director – Transformation left their posts at North-East Derbyshire and Bolsover Councils. We will review the processes that were followed to reach the decision and check that disclosure in line with the Code.
- **Dragonfly** - In August 2016, a new joint venture was set up with Woodhead Regeneration Ltd; Dragonfly Development Ltd. We had previously agreed that as part of our audit assurance process, one of our tax specialists will look at how the joint venture is set up and the tax implications for the Authority.

See pages 6 to 9 for more details

Value for Money Arrangements work

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

- **Delivery of Budgets** – As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years. As far as is required by our responsibilities, we will consider the way in which the Authority identifies, approves, and monitors both savings plans and income generation projects and how budgets are monitored throughout the year.

See pages 12 to 16 for more details

Logistics

Our team is:

- Tony Crawley – Director
- Katie Scott – Manager
- Surpreet Bhogal – Assistant Manager

More details are in **Appendix 2**.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan, an Interim Report (if our interim work requires) and a Report to Those Charged With Governance as outlined on **page 19**.

Our fee for the 2017/18 audit is £49,410 (£49,410 2016/2017) see **page 18**. These fees are in line with the scale fees published by PSAA.

Acknowledgements

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



Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, 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, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

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

- 01 | **Financial statements :**
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | **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. Any change to our identified risks will be reporting to the Audit Committee.

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 12 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during December 2017 to January 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing standards require us to consider two standard risks for all organisations.

01

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.

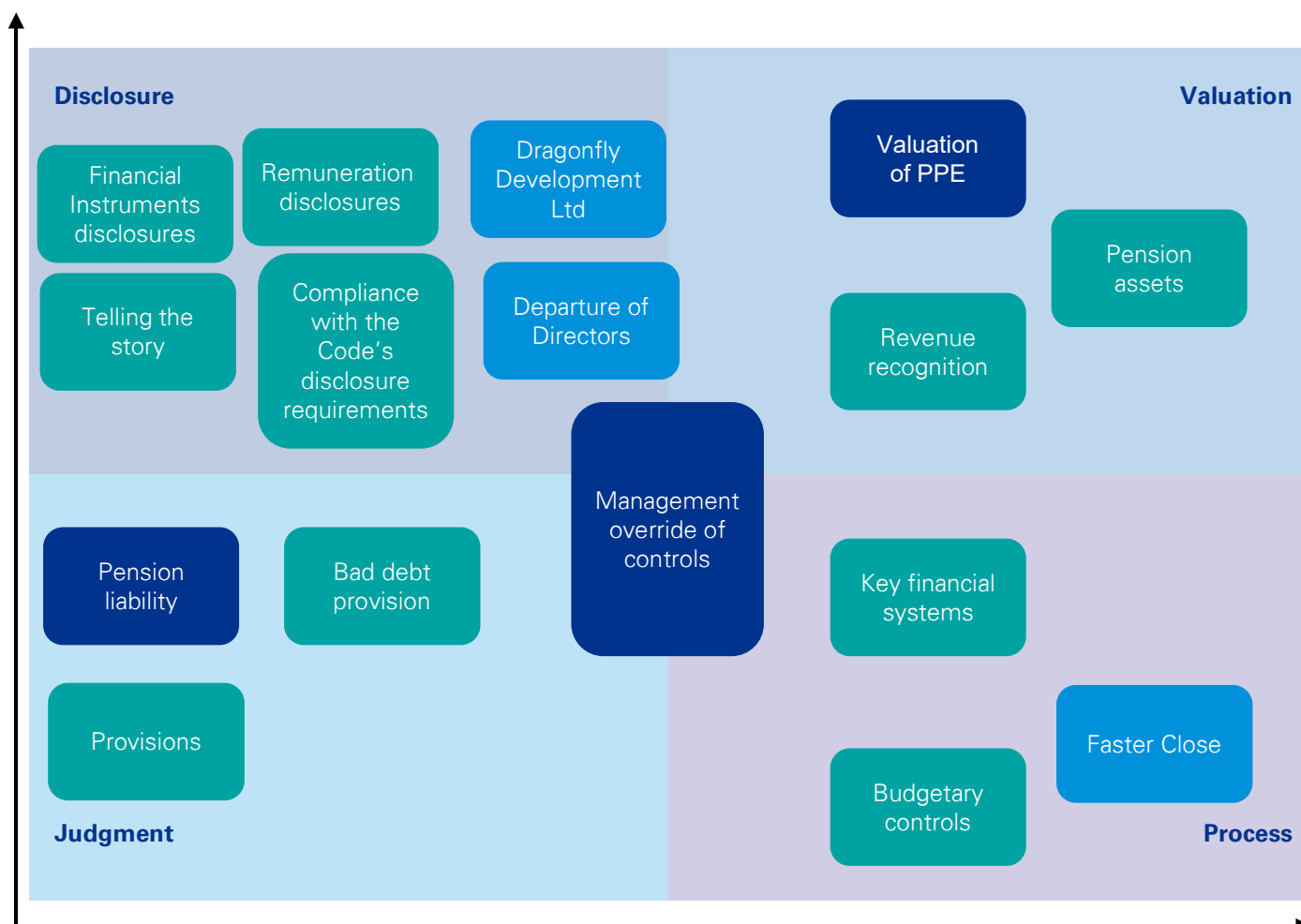
02

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.

Financial statements audit planning (cont.)

The diagram below 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.



Keys: Significant risk Other area of audit focus Example other areas considered by our approach

Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:

Valuation of PPE

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.

This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end.

Approach:

We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.

In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk:

Pension Liabilities

The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Derbyshire Pension Fund which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Approach:

As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Hymans Robertson.

We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Hymans Robertson.

In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.

Financial statements audit planning (cont.)

Other areas of audit focus:

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Area:

Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

In advance of 31 March 2018, the Authority has prepared for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by June and the final signed accounts by July.

The authority achieved the revised deadline last year (2016/17) and we need to ensure the continuation of this, including embedding of processes and similar arrangements that were established last year. In order to meet the revised deadlines, the Authority may need to recognise what worked well and summarise learning points from last year.

In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries,) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a risk that the audit will not be completed by the 31 July deadline.

There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.

Approach:

We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.

Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.

Financial statements audit planning (cont.)

Other areas of audit focus (cont.)

Area: **Departure of Directors**

Within the 2017/18 year, both the Joint Executive Director – Operations and the Joint Executive Director – Transformation left their posts at North-East Derbyshire and Bolsover Councils. Their departures included payments relating to early voluntary release. We have previously commented on the authorities' practices when senior staff depart, and so need to consider the process that was followed when reaching the agreements with the two Joint Directors.

In addition, there are Code disclosure requirements in relation to senior staff, and these will need to be complied with.

Approach: We will consider the governance of these departures and review disclosure within the financial statements, and that the terms of departure were in line with legal requirements.

Area: **Dragonfly Development Ltd**

In August 2016, a new joint venture was set up with Woodhead Regeneration Ltd; Dragonfly Development Ltd. This was set up to build new homes within the Bolsover area. This is unlikely to have a significant impact on the financial statements in 17/18 but is being accounted for as an available-for-sale financial asset. Based on current forecasts, officers are not intending to prepare Group accounts on the grounds of materiality.

Approach: One of our tax specialists will, for our audit purposes, review how the joint venture is set up. We will review the disclosure of the venture in the financial statements.

Financial statements audit planning (cont.)

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.

For the Authority, materiality for planning purposes has been set at £815,000 which equates to 1.6 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Prior Year Gross Expenditure: £50.958m (2016/17: £57.570m)

Materiality

£815,000

1.6% of Expenditure

(2016/17: £900,000,
1.6%)



£40,000

Misstatements
reported to the
audit committee
(2016/17: £45,000)

£610,000

Procedures designed
to detect individual
errors
(2016/17: £675,000)

£815,000

Materiality for the
financial statements
as a whole
(2016/17: £900,000)

Financial statements audit planning (cont.)

Reporting to the Audit 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 Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) '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&I) 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 £40,000.

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

We will report:



Non-Trivial
corrected audit
misstatements



Non-trivial
uncorrected audit
misstatements



Errors and omissions in disclosure
(Corrected and uncorrected)

Value for money arrangements work

VFM audit 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.'

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.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criteria

Informed decision making

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.

Sustainable resource deployment

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.

Working with partners and third parties

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.

Value for money arrangements work (cont.)

VFM audit stage



VFM audit risk assessment

Audit approach

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

Audit approach

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

Audit approach

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 (cont.)

VFM audit stage



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

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.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will 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:

- Additional meetings with senior managers across the Authority;
- Review of specific related 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

Audit approach

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

Audit approach

We have completed our initial VFM risk assessment and have not identified any significant VFM risks. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.

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.

If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.

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 (cont.)

Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Risk:	Delivery of budgets <p>The Authority identified the need to make savings of £0.170 million in 2017/18. By the end of the second quarter, savings of £0.156m had been achieved against the target, leaving £0.014m still to be achieved.</p> <p>The Authority's budget for 2018/19 was approved at the Executive meeting on 20 February 2017 and recognised a need for £4.6 million in savings over the period 2018 to 2021 to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.</p> <p>The approved budget includes individual proposals to support the delivery of the overall savings requirement.</p>
Approach:	As part of our additional risk based work, we will review the arrangements the Authority has in place to ensure financial resilience, specifically that the MTFP has duly taken into consideration the latest available information on factors such as funding reductions, business rate reform, fair funding, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.
VFM Sub-criterion:	<p>This risk is related to the following Value For Money sub-criteria</p> <ul style="list-style-type: none">— Informed decision making;— Sustainable resource deployment; and— Working with partners and third parties

Other points to note within our VFM risk assessment

We note that the Secretary of State has expressed concern about the Council's Local Plan, and has set a deadline of 31 January 2018 for the Authority to outline any exceptional circumstances which justify the failure to produce the Local Plan and any steps they are taking to accelerate its publication.

We will liaise with officers regarding progress on this and will take account of the latest position when considering our VFM conclusion responsibilities.

Other matters

Whole of government accounts (WGA)

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Authority. Deadlines for completion of this for 2017/18 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.



Other matters

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 Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2017/2018 presented to you in April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £49,410, compared to 2016/2017 of £49,410.

Appendix 1:

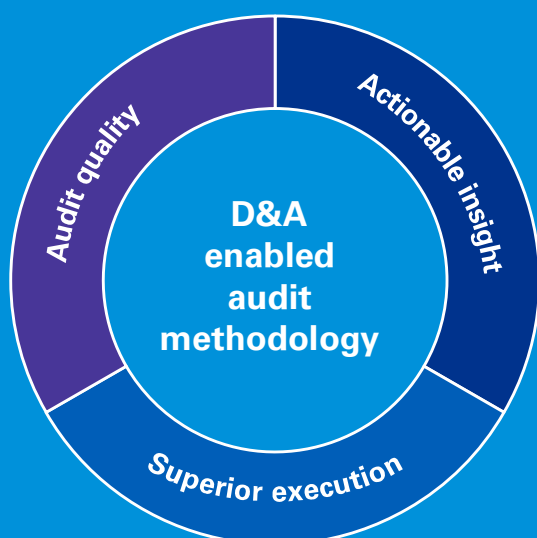
Key elements of our financial statements audit approach

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. 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 and journals.



Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



Appendix 1:

Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures
 - Perform overall evaluation
 - Form an audit opinion
 - Audit Committee reporting
-



Appendix 2:

Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Bolsover District Council audit last year with the exception of Surpreet Bhogal, who brings a fresh insight onto the audit.



Tony Crawley

Director

T: +44 (0) 11 6256 6067

E: tony.crawley@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 Audit Committee and Chief Executive.'



Katie Scott

Manager

T: +44 (0) 74 6836 5923

E: katie.scott@kpmg.co.uk

'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Tony to ensure we add value. I will liaise with the Chief Finance Officer and other Executive Directors.'



Surpreet Bhogal

Assistant Manager

T: +44 (0) 77 6708 6505

E: surpreet.bhogal2@kpmg.co.uk

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

Appendix 3:

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF BOLSOVER DISTRICT COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Appendix 3:

Independence and objectivity requirements (cont.)

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP

KPMG LLP



kpmg.com/uk



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.psaa.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 Tony Crawley 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 by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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CREATE: CRT086281A

Bolsover District Council

Audit Committee

23 January 2018

CIPFA Fraud and Corruption Tracker Survey 2017

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present, for members' information the results of CIPFA's [Fraud and Corruption Tracker \(CFaCT\) survey](#) that provides a picture of fraudulent activity in local government.
- To detail the controls and procedures that BDC has in place to mitigate the risk of fraud.

1 Report Details

- 1.1 Each year the Audit Commission used to publish a report titled "Protecting the Public Purse" which used to highlight the risks posed by fraud to Local Authorities and identified best practice in procedures to minimise these risks.
- 1.2 The CIPFA Counter Fraud Centre was launched in July 2014 to fill the gap in the UK fraud arena following the closure of the National Fraud Authority and the Audit Commission. The third CFaCT survey was carried out in May 2017 with the aim of providing a national picture of fraud, bribery and corruption in local government.
- 1.3 The key findings of the 2017 CIPFA Fraud and Corruption Tracker were:-
 - An estimated 75,000 frauds have been detected or prevented across local authorities in 2016/17 with a total value of £336.2m
 - The number of fraud cases investigated or prevented dropped in 2017
 - But the average value per fraud increased from £3,400 to £4,500
 - Procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas
 - Adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated compared with £3.0m in 2016
 - The highest number of investigations related to council tax fraud (76%) with a value of £25.5m
 - The highest area of fraud is housing with an estimated total of £263.4m

- 38% of organisations who responded have a dedicated counter fraud service.
- Cyber crime has a high profile in the media and poses a growing challenge to a sector becoming more digital in terms of service delivery

1.4 This evidences that fraud is still a major financial threat to local authorities.

BDC Fraud Prevention Measures

1.5 BDC takes the risk of fraud very seriously and has a range of measures in place to reduce the risk of fraud occurring.

- There is an established approach of a zero tolerance policy towards fraud which is set out in the Council's Anti – Fraud and Bribery and Corruption Policy (including Money Laundering Policy) that was last approved by this Committee in October 2015.
- There is an allowance for special investigations in the internal audit plan.
- The Internal audit plan covers the whole of the organisation.
- The National Fraud Initiative is participated in.
- Potential Council Tax Support frauds are investigated by council tax staff (Benefit fraud is now dealt with by the DWP)
- Data matching processes with the DWP and HMRC
- Derbyshire Finance for Single Person discount matches for council tax. This tracks the activity of purchases/credit where people have given their address for credit and this is matched to claimants of SPD.
- The Council has a Confidential Reporting Code (Whistleblowing Policy)
- The Council has a fraud risk register
- Recruitment procedures ensure that checks are undertaken to prevent the council employing people working under false identities etc.
- Council tax have a rolling program of discount exemption checks
- The IT systems are Public Sector Network (PSN) compliant
- In September 2016 a self- assessment was undertaken against the “Local Government Counter Fraud and Corruption Strategy 2016 – 19” checklist. The results were reported to this committee.

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of the results of the CIPFA Fraud and Corruption Tracker survey.

2.2 To provide Members with details of the fraud prevention measures in place at BDC.

3 Consultation and Equality Impact

3.1 None.

4 Alternative Options and Reasons for Rejection

4.1 None.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Raising the awareness of fraud issues amongst Members and staff helps to mitigate the risk and potential cost of fraud.

5.2 Legal Implications including Data Protection

- 5.2.1 None

5.3 Human Resources Implications

- 5.3.1 None

6 Recommendation

- 6.1 That the results of CIPFA's Fraud and Corruption Tracker Survey be noted.
- 6.2 That the fraud prevention measures that BDC has in place be noted.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

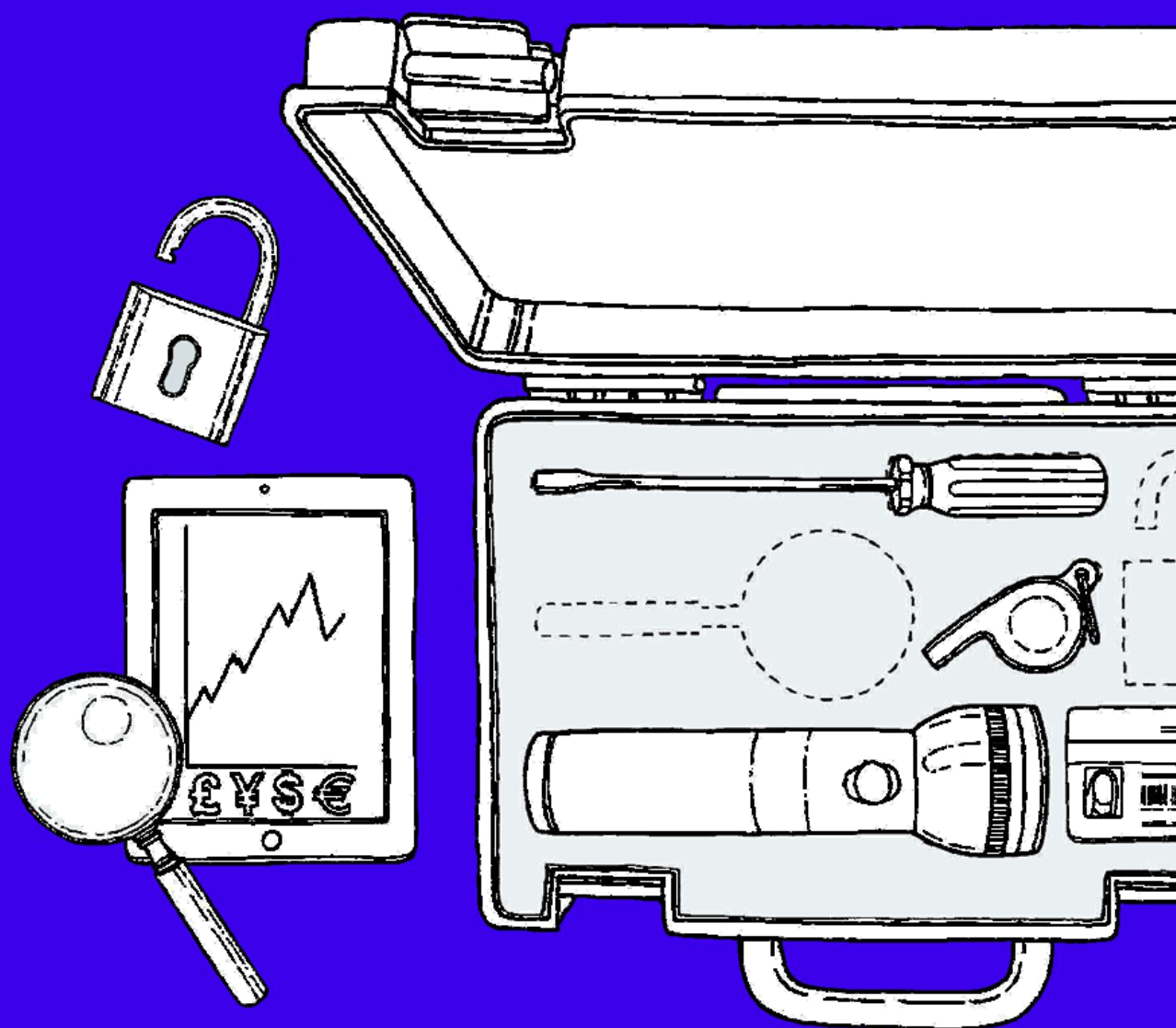
8 Document Information

Appendix No	Title
Appendix 1	CIPFA Fraud and Corruption Tracker Summary 2017
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in	

the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

fraud and corruption tracker

Summary Report 2017



**CIPFA COUNTER
FRAUD CENTRE**

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3	Foreword
5	Introduction
8	Recommendations
9	Main Types of Fraud <ul style="list-style-type: none">– Council tax– Housing– Disabled parking (Blue Badge)– Adult social care
13	Other Types of Fraud <ul style="list-style-type: none">– Business rates– Insurance– Procurement– Welfare assistance and no recourse to public funds– Payroll, expenses, recruitment and pensions– Economic and voluntary sector (grant fraud)– Manipulation of data (financial or non-financial) and mandate fraud
16	Serious and Organised Crime
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Foreword

Public sector organisations around the UK are clearly committed to fighting fraud and corruption. Through the implementation of initiatives and collaboration with new partners, the public sector understands the importance of counter fraud activity and the contribution it makes to organisations' resilience. The success of counter fraud activities is more than about saving money but covers both the reputational and moral risk for an organisation.

The CIPFA Fraud and Corruption Tracker (CFaCT) survey is part of that story and provides a picture of fraudulent activity in local government and identifies actions that are being taken to combat it.

Supported by organisations such as the National Audit Office (NAO), the National Crime Agency (NCA) and the Local Government Association (LGA), CIPFA draws on the expertise of those within the profession to deliver this annual survey which enables practitioners to focus on trends and emerging risks.

Understanding emerging risks allows authorities to develop appropriate strategies and deploy adequate resources to support the fight against fraud and corruption. This year's survey has shown that adult social care fraud has evolved from an emerging risk to one with which many local authorities are now actively engaged.

This report, which summarises the findings of the most recent CFaCT, not only raises awareness of fraud prevention, detection and deterrence across local government, but will also enable organisations from across the wider public sector to benchmark their responsiveness against others facing similar risks.

This report will:

- help organisations understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of counter fraud activity
- assist operational staff to develop pro-active counter fraud plans.

The survey was supported by:



The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP). The CCFC leads and co-ordinates the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.



Introduction

CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the [Annual Fraud Indicator 2013](#), which provides the last set of government sanctioned estimates, fraud costs the public sector at least £20.6bn annually and of this total, £2.1bn is specifically in local government.

Fraud continues to pose a major financial threat to local authorities and working with partners such as the LGA and the Home Office, we are seeing an emerging picture of resilience and innovation within a sector that is aware of the difficulties it faces and is finding solutions to the challenges.

The third CFaCT was carried out in May 2017 and provides a national picture of fraud, bribery and corruption in local government. It also shows how the sector is dealing with the challenges and helps identify the actions that the sector needs to take to reduce the threat posed by fraudulent activity.

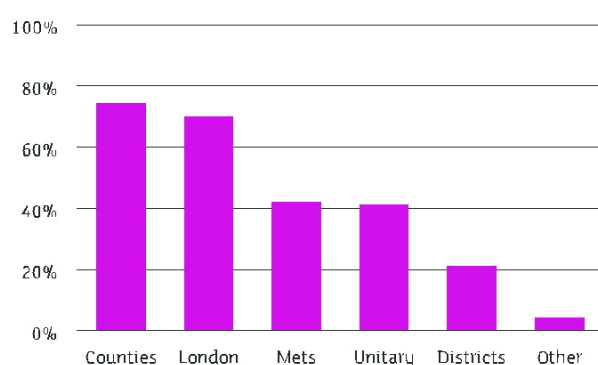
The CFaCT draws on the experience of practitioners and the support and expertise of key stakeholders to show the changing shape of the fraud landscape. It received a spread of results from across all regions and local authorities, enabling us to estimate the total figures for fraud across English, Welsh and Scottish local authorities.

CIPFA estimates that across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a total value of £336.2m. The number of fraud cases investigated or prevented dropped in 2017, but the average value per fraud increased from £3,400 to £4,500; the reason for this could be that local authorities are focusing on cases with a higher financial value.

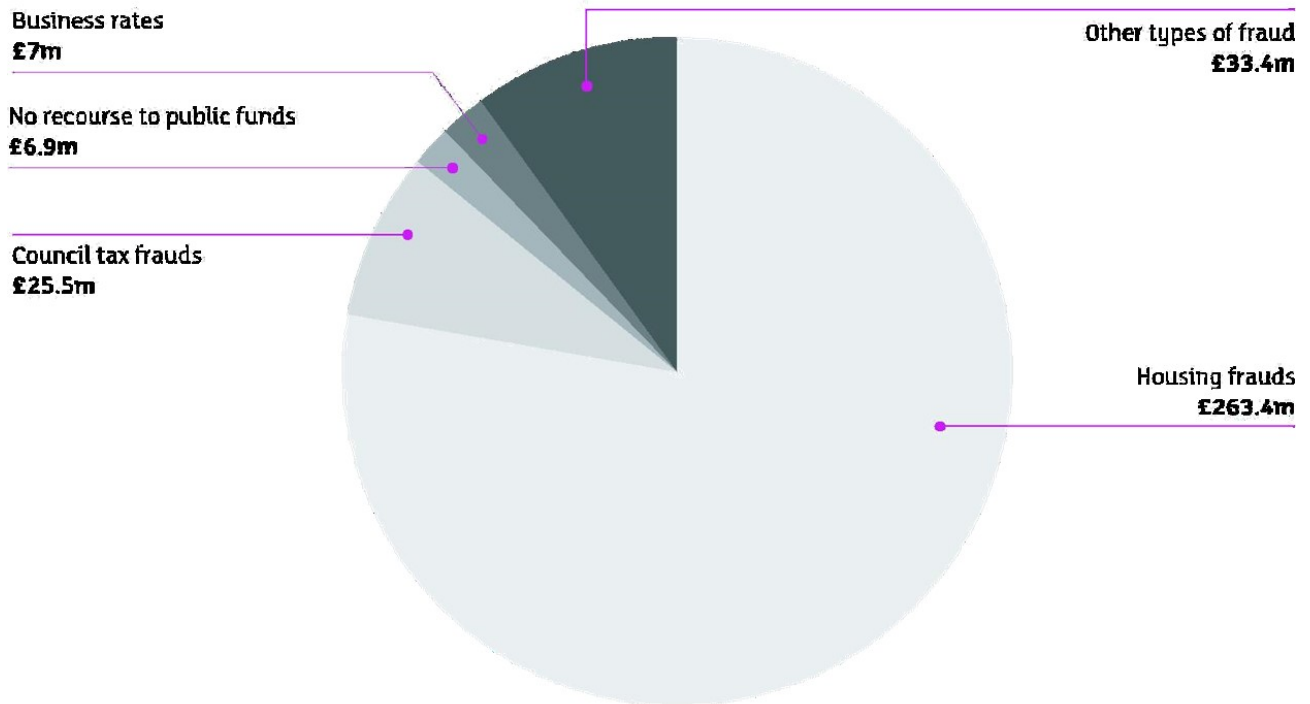
The CFaCT also revealed the following:

- procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas
- adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated compared with £3.0m in 2016
- the highest number of investigations related to council tax fraud (76%) with a value of £25.5m
- the highest value area of fraud is housing with an estimated total of £263.4m
- 38% of organisations who responded have a dedicated counter fraud service.

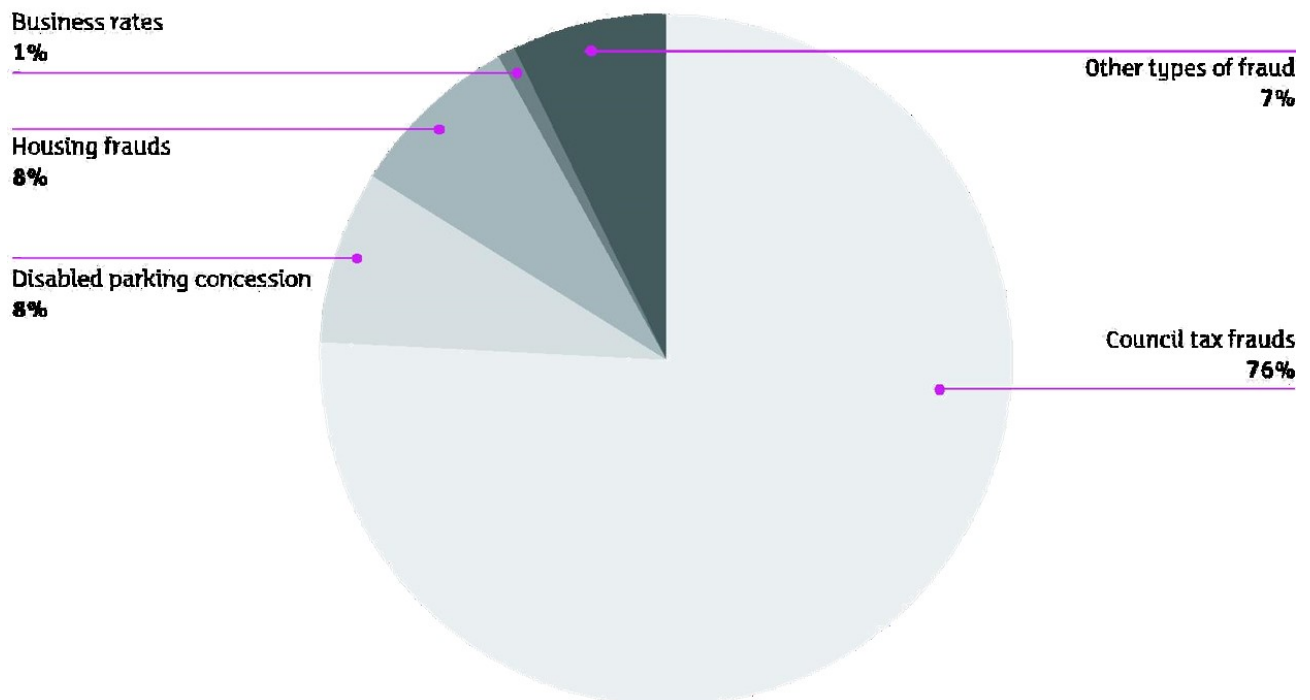
Response Rate



Estimated value of fraud detected



Detected fraud by estimated volume



Cyber crime has a high profile in the media and poses a growing challenge to a sector becoming more digital in terms of service delivery. The threat calls on the shared expertise of fraud and IT teams and it is often unclear who holds responsibility. Respondents to the CFaCT 2017 reported that only three fraud teams (2.3%) were responsible for cyber risk, whereas 106 (80%) reported that IT or the chief information officer held responsibility.

When we started the survey in 2014, three quarters of respondents told us that cyber risk was not included in the corporate plan. This year we see that over half the respondents had carried out a cyber risk assessment in the previous 12 months.

A number of themes and challenges have emerged over the three years that CIPFA has carried out this survey, and these include the following:

- housing has the highest value of all fraud types
- council tax fraud has seen the highest volume of cases
- local authorities benefit from looking forward, preparing for and understanding emerging risks in order to find effective solutions
- barriers to effective data sharing have consistently been stated as impacting on fraud prevention and investigation
- insufficient capacity and a lack of effective fraud risk assessment have proved to be challenges.

In the past three years fraud teams have operated within increasingly restricted budgets while the frauds they look to uncover become more sophisticated. From the figures and responses in the report, fraud teams are responding with positivity and a professional commitment to these challenges. The CFaCT shows that the sector is focusing on certain fraud areas, combining skills and resources and developing shared services.

This report highlights:

- the types of fraud as identified in the CFaCT 2017
- how the fraud and corruption landscape is changing
- what monetary value is lost through fraudulent activity
- how counter fraud activity and prevention improves the public sector budget
- what threats and risks are emerging
- what is being done to prevent fraud.

Recommendations

CIPFA recommends that organisations:

- ensure that cyber security is integral to any new strategy or policy decision, reflecting the [National Cyber Security Strategy 2016 to 2021](#)
- continue to be vigilant and raise awareness of fraud within adult social care
- have a strong counter fraud leadership that understands the importance of involving counter fraud practitioners when devising policy and strategy
- continue to maximise opportunities to share data and to explore innovative use of data within the law
- communicate clearly both internally and externally the role of the fraud team and the importance of the role for both financial and reputational benefit.

Main Types of Fraud

CIPFA has identified the main types of fraud based on the volume of investigations or the value of the financial loss. According to the survey results there are four main areas:

1. council tax
2. housing
3. disabled parking (Blue Badge)
4. adult social care.

Council tax

Council tax fraud has always been the largest reported issue and this is the same in 2017. Council tax is levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland. As the revenue forms part of the income for local authorities, there is a clear correlation between council tax fraud and a reduction in the available budget.

Council tax fraud is split into three areas:

1. council tax single person discount (SPD) – eg where the council tax payer falsely claims to be an eligible single occupier
2. council tax reduction (CTR) support – eg where the council tax payer falsifies household income to qualify for support
3. other types of council tax fraud – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

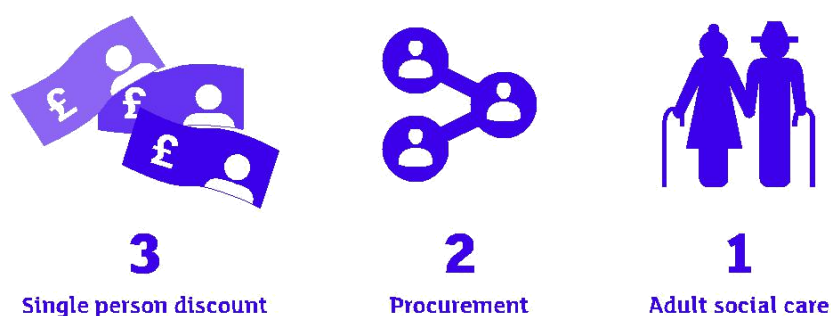
Traditionally an area of high volume/low value, council tax represents the highest number of fraud cases reported by local authorities (76%). However, the total value of the fraud, estimated at £25.5m, only accounts for 7.6% of the estimated value of all detected fraud.

Estimated council tax fraud

	Volume	Value
SPD	50,136	£19.5m
CTR	6,326	£4.8m
Other	674	£1.1m
Total	57,136	£25.5m

When asked about the perceived highest fraud risk areas, SPD was third behind procurement and adult social care.

Perceived highest risk areas



Housing and tenancy fraud

Housing and tenancy fraud takes a number of forms including:

- illegal subletting for profit
- providing false information to gain a tenancy
- wrongful tenancy assignment and succession
- failing to use the property as the principal home
- right to buy fraud, for example where circumstances have been misrepresented to qualify for a discount.

Housing is expensive in many parts of the country, the South East in particular, and therefore a low number of cases produces a high value in terms of fraud. However, councils record the income lost to housing fraud according to different values, ranging from a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. The National Fraud Initiative (NFI) has historically used a figure of £18,000 to reflect the cost of homeless accommodation over one year, however, this year the NFI has increased that notional figure to £93,000.

The lack of a standard approach makes valuing housing fraud difficult and the approaches vary not only between regions but also between councils. To give some idea of the growth in this area this report has taken the cases reported over the last two years and estimated a figure for all local authorities. Using this methodology, the estimated total value of housing fraud is £263.4m. The number of cases of right to buy fraud has fallen since the 2016 survey but the value has risen to £112m.

Right to buy is the scheme that allows tenants who have lived in their properties for a qualifying period the right to purchase the property at a discount. As housing has become increasingly expensive, especially in London, the value of this type of fraud has seen a rapid increase. The loss is higher in London than in other parts of the country, with an average value per case of £97,000 against £81,000 for the rest of the UK.

Estimated housing fraud

Type of fraud	Volume	Value
Right to buy	1,284	£111.6m
Illegal subletting	1,829	£78.5m
Other*	2,825	£73.3m
Total	5,938	£263.4m

*Other includes tenancy frauds that are neither right to buy nor illegal subletting, and may include succession fraud and false applications.

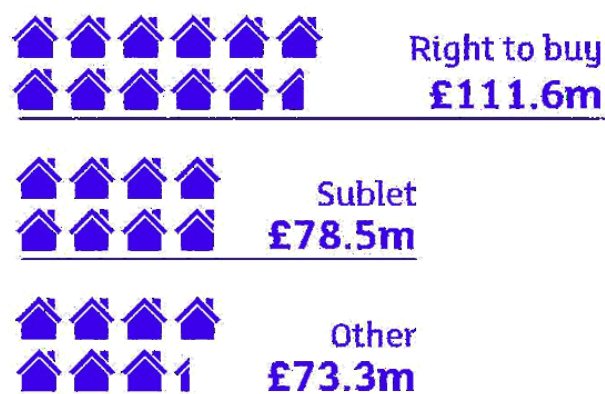
1,284

the estimated number of
right to buy cases investigated
or prevented during 2016/17

£263.4m

the estimated total value of housing
fraud investigated during 2016/17

Estimated housing fraud



Disabled parking (Blue Badge)

The Blue Badge is a Europe-wide permit scheme that gives parking concessions to people with sight impairments or severe walking difficulties. It is locally administered and allows permit holders to park nearer to their destination. Fraud from the misuse of the Blue Badge has decreased since we started the survey. In 2015/16 the estimated number of cases was 7,078, and in 2016/17 this decreased dramatically to 5,751.

There is no standard way to calculate the value of this type of fraud and some authorities, for example in London, place a higher value on the loss than others and invest in more counter fraud resource.

The cost of parking in London results in a higher value to case ratio. From the survey responses we estimate a total of 1,396 cases for London authorities with a total loss value of £3.0m, whereas the estimate for the rest of the

UK is 4,355 cases with a total value less than half that of London at £1.4m.

In the event that Blue Badge misuse is identified, it is often prosecuted and the individual is fined (which is paid to the court). Costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution. It is possible that because costs may not be fully redeemed, authorities have little incentive to focus attention on this fraud type. Prosecution, where successful, may serve as a warning and a reflection of public interest.

Estimated Blue Badge fraud

Volume	Value
5,751	£4.3m

Blue Badge prosecution

After an investigation by Warrington Borough Council's counter fraud team, the council prosecuted a resident for using a Blue Badge which did not belong to him, and had in fact expired, to park in designated disabled parking spaces.

The court fined the man £69 in respect of four offences, charged him a victim surcharge of £30, £120 in penalty charge notices and ordered him to pay £100 in court costs.

This case illustrates that any money returned to the council would not be sufficient to cover the investigation and prosecution costs, but taking the case to court would serve to raise awareness and potentially deter others.

Value of Blue Badge fraud in London v rest of UK



£3m
London



£1.4m
rest of the UK

Adult social care

There has been a rise in the number of fraud cases identified in adult social care and the value of the loss has started to increase. This is a trend that we have seen emerging over the last few surveys. In 2015/16 the average value of loss specifically for adult social care was below £10,000 but in 2016/17 we see a rise in value to around £13,000.

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

Investigations cover cases where:

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

Over the past few years many local authorities have funded training and introduced robust controls to mitigate the risk of fraud within personal budgets.

This year's survey also highlighted the links between adult social care fraud and insider fraud. Five percent of adult social care frauds investigated by respondents involved an authority employee.

Estimated adult social care fraud

Type of fraud	Volume	Value
Adult social care personal budget	264	£2.8m
Adult social care (other)*	182	£2.8m
Total	446	£5.6m

*Other includes internal fraud or identity fraud.

Fraud by abuse of position

The counter fraud team at Essex County Council was contacted by a social worker who, after conducting a routine monitoring review, considered that the service user (Ms B) may be paying a relative living at the same address to provide support for her care needs. This had not been agreed by the service area, and was contrary to council policy on employment of personal assistants.

The team identified that Ms B, who was also a social worker employed by the council, had not been paying a carer for many years. Ms B had been receiving direct payments to cover care needs since 2002 and had submitted quarterly returns to evidence spend but this had stopped in 2007, despite being chased. At interview, Ms B advised that she had not spent the direct payment since 2007 but would not provide bank statements to evidence this. Payments from Essex County Council from April 2007 to the date of the suspension amounted to nearly £47,000.

Ms B had just sold her house and was in the process of buying another property. A cheque was returned to the council for £46,887.90.

Ms B was dismissed from the council following disciplinary procedures and the case was referred to the Health Care and Professions Council (HCPC). An HCPC hearing resulted in a caution being placed on her registration for three years.

The case was also referred to Essex Police, who confirmed that Ms B had regularly used the direct payment as her personal monies. As a result Ms B was charged with theft of £46,887.90 and pleaded guilty to the charge. She received a suspended 16 month sentence, costs of £340 and a six month curfew.

Other Types of Fraud

Fraud covers a substantial number of areas and within organisations these vary in importance. This part of the report looks at the responses to some of these that did not appear as major types of fraud within the national picture but are important to individual organisations. Our results looked at the following fraud types in this category:

- business rates
- insurance
- procurement
- welfare assistance and no recourse to public funds
- payroll, expenses, recruitment and pensions
- economic and voluntary sector (grant fraud)
- manipulation of data (financial or non-financial) and mandate fraud.

Business rates have received considerable publicity and are a key cost for those who have to pay the tax. There is also the political sensitivity felt by politicians wanting to maximise an environment for economic growth and business development.

Business rate fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to differentiate between evasion and avoidance. Business rate fraud can include the falsification of circumstances to gain exemptions and discounts.

Business rates represented 0.5% of the total number of frauds reported in 2015/16 and had risen to 0.9% in 2016/17. The estimated total value of the fraud loss has increased from £4.8m in 2015/16 to £7.0m in 2016/17.

Estimated business rate fraud

Volume	Value
662	£7.0m

Insurance fraud

This fraud includes any false insurance claim made against an organisation or an organisation's insurers. Within the insurance fraud category, there were six cases of organised crime.

Authorities should ensure that counter fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigation into alleged frauds.

The total estimated value of loss in 2016/17 is £5.1m – a decrease from £7.0m in 2015/16. The number of frauds detected or prevented fell but the average value increased to £13,800.

Considerable work has been done in the area of insurance fraud and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system.

Estimated insurance claim fraud

Volume	Value
371	£5.1m

Procurement fraud

Procurement fraud can occur throughout the procurement cycle, from purchasing through to the service delivered and payments. In last year's survey procurement was perceived as one of the greatest fraud risks, with housing procurement being of particular concern. The number of procurement fraud cases reported in 2015/16 was five times more than in 2014/15.

In 2016/17 there were an estimated 197 prevented or detected frauds with an estimated value of £6.2m, compared with 427 cases in 2015/16 with a total value of £5.7m; this drop in the number of cases but increase in value could indicate that higher level frauds are being discovered. However, procurement fraud takes place in a constantly changing environment and can occur anywhere throughout the procurement cycle. There can be sizeable difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss, especially post award, can be as hard to measure but equally significant.

Estimates suggest that nearly 40% of all fraud committed against local authorities concerns abuse of the procurement cycle.¹ The London Borough of Hackney's innovative approach to this problem was to create a multifaceted and specialist procurement team within the audit and anti-fraud division. This has allowed the authority to carry out complex and often lengthy investigations which have resulted in cost savings as well as greater assurance across the organisation.

The [Fighting Fraud and Corruption Locally Strategy 2016–2019](#) recommends that organisations create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority. This would highlight low, medium and high potential risks and inform risk awareness training for the future.

The Competition and Markets Authority (CMA) is working with the public sector to identify areas of higher risk within procurement. The CMA has produced a free online tool that studies the data fed in against bidder behaviour and price patterns. It then flags areas where fraud **could** be a possibility and should be investigated.

Estimated procurement fraud

Volume	Value
197	£6.2m

For more information see also [Managing the Risk of Procurement Fraud](#) (CIPFA/LGA, 2015).

Welfare assistance and no recourse to public funds

Local welfare assistance was set up to help the poorest residents to deal with short-term costs caused by fire, flood or injury. The assistance is not a statutory duty and with money being limited many authorities have cut the service dramatically or dropped it completely. Awards are discretionary and may come as either a crisis payment or some form of support payment.

In 2016, the estimated number of cases was 610 but this has declined in the past year to an estimated 103.

While 'no recourse to public funds' fraud presents a significant fraud risk to local authorities, it is primarily to be found in London, southeast England and larger metropolitan boroughs. London had 90% of reported cases in this year's survey. This type of fraud includes claimants using false documents to obtain benefits.

Over the past 12 months the number of cases in this area has increased, rising from 255 in 2015/16 to 342 in 2016/17. However, the average value of the fraud has fallen to £20,000, resulting in an overall decrease in total loss from £8.2m to £6.9m.

Estimated fraud in welfare assistance and no recourse to public funds

Type of fraud	Volume	Value
Welfare assistance	103	£0.3m
No recourse to public funds	342	£6.9m

No recourse to public funds



¹ www.local.gov.uk/sites/default/files/documents/managing-risk-procurement-13a.pdf

Economic and voluntary sector (grant fraud)

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation. As funds become more limited for this type of support it is even more important for fraud teams to be aware of the risks within this area.

Although only 17 actual cases of grant fraud were reported in the 2017 survey, the average value of loss was £39,000 per fraud.

Payroll, expenses, recruitment and pensions

If we combine all the estimated results for these four areas the total value of the fraud loss is an estimated £2.1m.

It can be very difficult, however, to measure the cost of these frauds because the implications for some do not necessarily carry a monetary value, such as reputational damage or investigating the motives behind the fraud. As a result some organisations can be less keen to investigate or report investigations in these areas.

Employees and those working inside an authority can abuse council processes for financial gain. Respondents reported that 40% of payroll fraud cases investigated or prevented during the year involved insider fraud.

Recruitment fraud is an interesting area and often one where it is difficult to establish a value of fraud loss. It would be impossible to put a price on the damage that could be inflicted on an organisation if it were to employ a member of staff who had falsified their qualifications. Without a strong risk assessment and additional investigation, an appointment may be made that would have considerable adverse implications.

40%

of payroll cases involved insider fraud

Estimated payroll, expenses, recruitment and pension fraud

Type of fraud	Volume	Value
Payroll	248	£1.0m
Expenses	75	£0.1m
Recruitment	46	£0.2m
Pension	228	£0.8m
Total	597	£2.1m

Manipulation of data (financial or non-financial) and mandate fraud

The fraud most commonly carried out within the manipulation of data category relates to employees changing data in order to show a better performance than actually occurred or staff taking data from the organisation.

Action Fraud states that:

Mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier.

CIPFA estimates that across the UK manipulation of data fraud has more than doubled from 24 in 2015/16 to 57 in 2016/17. Mandate fraud has also increased from 188 in 2015/16 to 325 in 2016/17.

Procedures must be in place to ensure that staff are aware of this type of fraud and act accordingly by checking information. Advice from organisations such as Action Fraud can help to ensure that the risk is reduced, but from the results of our survey organisations are clearly still experiencing loss. Removing data may not result in financial loss but can result in reputational damage. Mandate fraud may also not be reported because of reputational repercussions.

90%

the percentage of respondents who have a counter fraud plan in place

Serious and organised crime

This year's survey again included a question (requested by the Home Office) on serious and organised crime in order to help establish how it is being tackled by local authorities.

Organised crime groups are often involved in complicated and large-scale fraudulent activities which cross more than one boundary. Such activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The CFaCT 2017 identified 26 cases of serious and organised crime, and the responses indicate that organisations share a great deal of data both internally and externally. In addition, of the organisations that responded, 23% identified serious and organised crime risks within their organisation's risk register.

91%

the percentage of respondents who share data externally

Whistleblowing

Whistleblowing was strongly evidenced again this year, with 60% of organisations surveyed saying that they annually reviewed their whistleblowing arrangements in line with the [PAS 1998:2008 Whistleblowing Arrangements Code of Practice](#).

Of those questioned 85% confirmed that staff and the public had access to a helpdesk and 72% said that the helpline conformed to the PAS 1998:2008.

Respondents reported a total of 686 whistleblowing cases, made in line with PAS 1998:2008. This represents disclosures in all areas, not just with regard to suspected fraudulent behaviours. Effective whistleblowing allows

staff or the public to raise concerns about a criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.

Counter Fraud Resources

Increased delivery with reduced resources is the context in which fraud teams are operating. It is therefore unsurprising that the proportion using a shared service has increased from 10% to 14%. This approach has gained popularity in some areas as a method of allowing smaller organisations to provide a service that is both resilient and cost effective.

For those organisations that are not opting to run shared services, the CFaCT 2017 showed a flatlining of counter fraud staff resources until 2019. This position would appear to be a change of intention from 2015, when some respondents had hoped to increase their staff numbers. We did however see a slight increase in the number of organisations which have qualified financial investigators available in-house, from 27% in 2016 to 34% in 2017, but fraud services continue to be stretched.

While it is not essential for all organisations to have a dedicated counter fraud function, CIPFA continues to reinforce the importance of organisations having a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.

Hertfordshire shared counter fraud service

In 2015, six councils in Hertfordshire, including the county council, established a shared service to improve the prevention of fraud and corruption. At the centre of the plan was the requirement to have a more robust and resilient service where data was exchanged and best practice shared. The commercial nature of the service also required a return on investment and the opportunity to create new income streams.

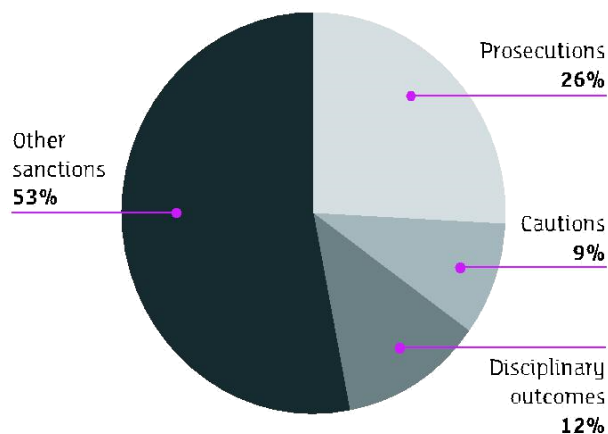
The combined service has provided flexibility and a significant return on investment for those involved, and the reduction in duplication across common policy approaches has resulted in a more efficient use of resources.

Sanctions

The CFaCT 2017 allows us to explore the sanctions being used and indicates the following:

- 614 prosecutions were completed in 2016/17, and of the prosecutions, 22 involved insider fraud – all 22 cases were found guilty
- there was an average of four prosecutions per survey respondent
- the share of other sanctions used increased from 45% to 53% from 2016 to 2017
- the share of cautions as a proportion of all sanctions dropped from 22% to 9% between 2016 and 2017.

Outcome of sanctions



The chart indicates that:

- prosecutions include both in-house and CPS prosecutions
- cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance
- disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team disciplinary action is undertaken, or where a subject resigns during the disciplinary process
- other sanctions include the imposition of fines or other penalties by the organisation.

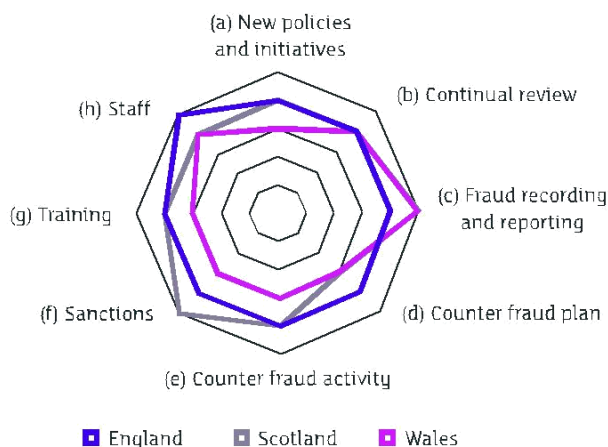
Fighting Fraud and Corruption Locally

The [Fighting Fraud and Corruption Locally Strategy 2016–2019](#) (FFCL) was developed by local authorities and counter fraud experts and is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.

The strategy is available for councils to use freely so that everyone can benefit from shared good practice. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact as well as covering resource management and investment in counter fraud operations.

As in previous surveys, the FFCL Board put forward specific statements to be included to help measure the effectiveness of the initiatives in the strategy and the responses are reflected in the diagram below. The more confident respondents are about the way fraud is dealt with in their organisation the higher they marked the statement, low scores are at the centre of the diagram.

Counter fraud controls by country



Over the past three years, local authorities have identified capacity, data sharing and fraud risk management as issues that need to be addressed in order to effectively tackle fraud and corruption. The FFCL's 34-point checklist is a good starting point as it provides a comprehensive framework to address these concerns.

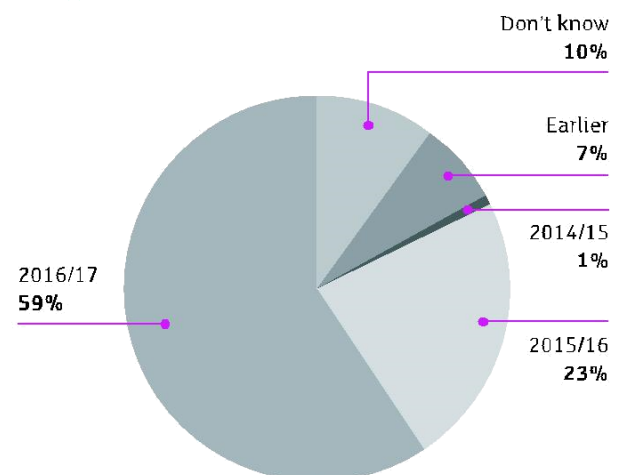
The FFCL Strategy recommends that:

There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.

By producing a plan and having resources that are agreed by the leadership team, management is able to see gaps in capacity and identify areas of risk which enables them to make effective strategic decisions.

In fact, an area of improvement has been the rise in organisations that have a counter fraud and corruption plan. Last year, 11% did not have a plan or did not know if they had one, and only 62% had the plan approved in the last 12 months. Of those who responded to this year's survey, 90% have a counter fraud and corruption plan in place (10% did not know) and 74% had carried out a corporate fraud assessment in the last 12 months. Some respondents reported that an assessment was pending.

When did you last have your counter fraud and corruption plan approved?



Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing case studies, including:

- Association of Local Authority Treasurers
- FFCL board
- Gary Coote, London Borough of Hillingdon
- Home Office
- Kate Bridge, Competition and Markets Authority
- Luan Quirke, Wirral Council
- Local Government Association
- Nick Jennings, Hertfordshire County Council
- Patrick Saunders-Wright, London Borough of Hackney
- Peter Tanton, Essex County Council
- Public Concern at Work
- Solace

Appendix 1: Estimates and Fraud Types

The table below shows the types of fraud reported in the survey, the estimated number of cases reported during 2016/17 and an estimate of the total value of these fraud cases. The methodology used in the estimation is described in Appendix 2.

Types of fraud	Fraud cases	Value	Average
Council tax	57,136	£25.5m	£400
Housing	5,939	£263.4m	£44,300
Disabled parking concession (Blue Badge)	5,751	£4.3m	£800
Business rates	662	£7.0m	£10,600
Adult social care	446	£5.6m	£12,500
Insurance claims	371	£5.1m	£13,800
No recourse to public funds	342	£6.9m	£20,200
Mandate	325	£1.7m	£5,200
Schools (excluding transport)	258	£0.5m	£2,000
Payroll	248	£1.0m	£4,100
Pensions	228	£0.8m	£3,400
Procurement	197	£6.2m	£31,300
Debt	142	£0.3m	£2,400
Welfare assistance	103	£0.3m	£3,000
Expenses	75	£0.1m	£1,900
Children's social care	59	£0.8m	£13,800
Manipulation of data	57	na	na
Recruitment	46	£0.2m	£3,700
Economic and voluntary sector support	39	£1.5m	£38,800
School transport	19	£0.2m	£12,300
Investments	0	£0.0m	na
Other	2,768	£4.7m	£1,700
Total	75,212	£336.2m	£4,500

Appendix 2: Research Methodology

This year's CFaCT results are based on responses from 133 English, Welsh and Scottish local authorities. With this response rate, we are able to calculate an estimated total volume and value of fraud for all local authorities in England, Wales and Scotland.

For all non-responding authorities, missing values are calculated according to the size of the authority. For each type of fraud, an appropriate measure of authority size applicable to that authority has been selected. For example, local authority housing stock is used as the basis for the estimation of housing frauds. From the responses, the number of cases per unit of the size measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value.

As an illustration, if the number of housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000, then the total estimated value of fraud for that authority is £1.0m. The figures that are presented in this report are estimated according to this methodology. The 2015/16 estimates have also been restated for the purpose of comparison.



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Bolsover District Council

Audit Committee

23rd January 2018

National Fraud Initiative 2016/17 - Summary of progress to date
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Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present, for members' information, a summary of the results of the 2016/17 National Fraud Initiative (NFI) for Bolsover District Council to date.

1 Report Details

- 1.1 Since the closure of the Audit Commission, responsibility for NFI has moved to the Cabinet Office and is set to continue. Local Authorities are required to supply various data sets which they process and match with other local authorities and participating organisations to highlight potential cases for further investigation. It should be noted that the existence of a match does not necessarily indicate that any form of fraud has taken place and each match needs to be investigated further where considered necessary.
- 1.2 The NFI website states that all users should have undergone appropriate pre-employment screening checks to ensure that the threat to the system or the information is mitigated as far as possible and as such recommends that the HMG Baseline Personnel Security Standard (BPSS) is adhered to.
- 1.3 This covers an identity check; nationality and immigration status check; employment history check and a criminal record check (unspent convictions only).
- 1.4 Designated users of the NFI web application have been established at BDC across the relevant services and these staff have all had the relevant security checks undertaken.
- 1.5 For the 2016/17 matching exercise, data was uploaded in October 2016 and the reports were released to local authorities, via a secure website, to commence their

reviews in February 2017.

- 1.6 Once the matches have been investigated the results are recorded on the secure website together with the amount of any errors or frauds identified.
- 1.7 To assist the examination of reported matches, reports are classified as High or Medium quality, address details and a fourth little used category of 'for information'.
- 1.8 The main reports generated related to housing benefit claimants, payroll, creditor and housing tenant data. Council Tax (single person discount) matches are subject to a separate annual data matching exercise, with these results being reviewed by the Revenues & Benefits Team.
- 1.9 **SUMMARY OF THE RESULTS OF THE 2016/17 NFI FOR BDC (as at January 2018)**

Data Match Category:- (94 reports received)	Number of matches	Number of marches investigated
High Priority	1,662	856
Medium Priority	25	17
Address Details	147	30
For Information	1	1
Total	1,835	904

- 1.10 The total number of data matches is 1,835 and to date, 904 matches have been reviewed. No cases of fraud have been identified but 6 errors totalling £9,022.71 have been identified. So, although there are still a number of matches that have not been investigated, based on the results to date the risk of missing a large amount of fraud is minimal.

2 Conclusions and Reasons for Recommendation

- 2.1 To inform Members of the results to date of the 2016/17 NFI exercise.

3 Consultation and Equality Impact

3.1 None

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

5.1.1 There is a risk of fraud or error within the matches that have not been investigated, however, as no fraud has been identified to date and the number of errors is minimal the risk is minimised.

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 That the report be noted.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
N/A	
Report Author	Contact Number
Jenny Williams	01246 217547

JENNY WILLIAMS

INTERNAL AUDIT CONSORTIUM MANAGER

Bolsover District Council

Audit Committee

23rd January 2018

Summary of Progress on the 2017/18 Internal Audit Plan

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present, for members' information, progress made by the Audit Consortium, in relation to the 2017/18 Internal Audit Plan. The report includes a summary of Internal Audit Reports issued from the beginning of November 2017 to the beginning of January 2018.

1 Report Details

- 1.1 The 2017/18 Consortium Internal Audit Plan for Bolsover District Council was approved by the Audit Committee on the 11th April 2017.
- 1.2 The Consortium Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report quarterly (or at such intervals as the HIAC may agree with the Committee) to the Audit Committee of each Council on progress made in relation to their Annual Audit Plan.
- 1.3 Attached, as Appendix 1, is a summary of reports issued from the beginning of November 2017 to the beginning of January 2018.
- 1.4 Internal Audit Reports are issued as drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.
- 1.5 The Appendix shows for each report a summary of the level of assurance that can be given in respect of the audit area examined and the number of recommendations made / agreed where a full response has been received.
- 1.6 The assurance provided column in Appendix 1 gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in accordance with the following classifications:

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

1.7 It can be confirmed that no fraud issues have been identified in respect of the areas reviewed.

1.8 The following audits are currently in progress:

- Taxi Licensing
- Debtors
- Grounds Maintenance
- Safeguarding
- Housing Repairs

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plan for 2017/18 and the Audit Reports issued.

2.2 To comply with the requirements of the Public Sector Internal Audit Standards.

3 Consultation and Equality Impact

3.1 None

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

5.1.1 Regular reports on progress against the internal audit plan ensure compliance with the Public Sector Internal Audit Standards and allow members to monitor progress against the plan.

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 That the report be noted.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000 <input type="checkbox"/></i> <i> Capital - £150,000 <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i> Capital - £250,000 <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
Appendix 1	Summary of Internal Audit Reports Issued from the beginning of November 2017 to the beginning of January 2018.
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
N/A	
Report Author	Contact Number
Jenny Williams	01246 217547

JENNY WILLIAMS

INTERNAL AUDIT CONSORTIUM MANAGER

BOLSOVER DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued from the beginning of November to the beginning of January 2018

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B019	Council Tax	To ensure that council tax bills are raised promptly and accurately and that there are good collection procedures in place	Substantial	14/11/17	4/12/17	0	0
B020	Food Hygiene Enforcement	To ensure that inspections are carried out in line with legislation and guidance	Reasonable	15/11/17	6/12/17	7 (4M 3L)	7
B021	Transport Follow Up – Phase 1	To follow up a number of the recommendations at the last audit	Not Applicable	6/12/17	4/1/18	6 (5M 1L)	6

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B022	Housing Rents	To ensure that rents are charged promptly and accurately and that there are good debt collection procedures in place	Reasonable	12/12/17	10/01/18	2 (1M 1L)	Note 1
B023	Housing Benefits and Council Tax Support	To ensure that all benefits are paid promptly and accurately and that any overpayments are collected	Substantial	18/12/17	16/01/18	0	0

Notes: For recommendations, H = High priority, M = Medium priority and L = Low Priority.

Note 1 Response not received at time of writing Report

Bolsover District Council

Audit Committee

23 January 2018

KEY ISSUES OF FINANCIAL GOVERNANCE

Report of the Assistant Director – Finance, Revenues and Benefits

This report is public

Purpose of the Report

- The purpose of the Key Issues of Financial Governance report is to track progress concerning the implementation of previous recommendations from both External and Internal Audit and to inform the Audit Committee of progress in addressing those recommendations. It constitutes a standing item on all agendas of the Audit Committee.

1 Report Details

- 1.1 This report seeks to update Members of the Audit Committee concerning the main issues of financial governance where further progress or ongoing monitoring is required. In particular the report outlines issues raised by both External and Internal Audit in order to monitor progress in resolving these issues and to evaluate the overall position of the Council's financial governance arrangements. This report reflects both the ISA 260 report from KPMG and the work undertaken by Internal Audit. The outcome of those reports together with planned management action to address the issues identified is reflected within this report. The Key Issues of Financial Governance are set out in Appendix 1 which in the view of the Chief Financial Officer constitute the main strategic financial issues currently facing the Council.
- 1.2 The Strategic Issues which are outlined below are consistent with the conclusions of the External Auditors (KPMG) report on the outcome of the 2016/17 Audit. The key messages from that report concern firstly the quality of the Statement of Accounts where the external auditors issued both an unqualified opinion on the Statement of Accounts by the 31st July, while concluding that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The overall conclusion is a very satisfactory outcome for the Council and the detail of the report does not identify any areas where improvement is required.
- 1.3 With respect to the Council's accounting arrangements the ISA260 report of the External Auditor is a very positive one. Against the background of the assessment of the 2016/17 Statement of Accounts, the main objective appears to be that of maintaining current standards. Given the reputational impact of a critical External Audit report and the additional costs that may be incurred for arrangements which

do not meet the auditors requirements it is clearly important that the Council maintains its current high standards in this area. In addition the production of a high quality Statement of Accounts is usually a reliable indicator that the wider financial arrangements within an authority are operating effectively. On that basis it would seem appropriate that the Audit Committee continue to monitor the quality of the process for producing the Annual Accounts on a regular basis.

- 1.4 With regard to the value for money conclusion and the associated risk areas whilst current arrangements are operating well and are fit for purpose, they will need to continue to evolve in the light of changing circumstances if the Council is to continue to secure a positive assessment. The main issue identified relates to the financial resilience in the local and national economy and the Council's ability to deliver the required savings in order to achieve a balanced budget.
- 1.5. With regard to the work of Internal Audit, the position in respect of the last financial year 2016/17 was reported to the meeting of this Committee on 16th May 2017. The Council received a total of 1 unsatisfactory and 4 marginal report during 2016/17 of which copies have previously been distributed to this Committee and a further update is included in Appendix 1. An update on the Progress on the 2017/18 Internal Audit Plan is included elsewhere on this agenda.
- 1.6. The Strategic Issues of Financial Governance that have been previously identified are summarised in Appendix 1 which provides an outline of the issues together with an update of the current position. Given that these are Strategic Issues the responsibility for addressing them rests with the Chief Financial Officer together with the wider management team. Resolution of the issues is also dependent upon the active support of Elected Members. The role adopted by the Audit Committee has been one of monitoring and evaluating progress and where appropriate requiring and supporting further action from officers. While the Council's financial governance arrangements have improved over recent years and are now robust it continues to be important that the Audit Committee adopts a pro active role in order to ensure current standards are maintained.

2 Conclusions and Reasons for Recommendation

Conclusions

- 2.1 The report is intended to provide information to allow the Audit Committee to consider the progress that has been secured in maintaining and improving the Council's financial governance arrangements. While the evidence provided within the report indicates that the Council's financial governance arrangements are robust and on balance are continuing to improve it is important that this progress is maintained and outstanding issues are resolved.

Reasons for Recommendations

- 2.2 To support the Audit Committee in undertaking its function of providing an ongoing independent review of the Council's financial governance arrangements.

3 Consultation and Equality Impact

Consultation.

- 3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities.

- 3.2 This report does not have any direct implications for Equalities issues.

4 Alternative Options and Reasons for Rejection

- 4.1. Given that the Council has a clear commitment to maintaining the quality of and where possible improving its financial governance arrangements it is appropriate that a formal reporting mechanism is in place to the Audit Committee. This approach is in line with good professional practice and accordingly other options have not been actively considered. While there are other options as to the format of this report the current format has been used for a period in excess of three years and has been amended to reflect the views of the Audit Committee. Over this period there has been a systematic improvement in the Council's Financial Governance arrangements which indicate that the approach adopted has assisted in securing the required outcomes.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no additional financial implications for the Council arising from this report.

Risk

This report is intended to assist in ensuring that the Council has robust financial governance arrangements in place. As such it is a key mitigation against any failure or weakening in these arrangements which would have a significant impact upon the Council's financial performance, its reputation and its service delivery arrangements.

5.2 Legal Implications including Data Protection

There are no Legal or Data Protection issues arising directly from this report.

5.3 Human Resources Implications

There are no Human Resources issues arising directly out of this report.

6 Recommendations

- 6.1. That the report is noted, and the Audit Committee raise any issues of concern with the updated Action Plan and the reported progress to date.

7 **Decision Information**

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000 <input type="checkbox"/></i> <i>Capital - £150,000 <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000</i> <i>Capital - £250,000</i> <i>* Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	Robust financial Governance arrangements underpin the effective operation of the Council and its ability to secure the full range of Corporate Plan Priorities.

8 Document Information

Appendix No	Title
1	Key Issues of Financial Governance Update
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
"Report to those Charged with Governance 2016/17 ISA 260" Internal Audit Reports	
Report Author	Contact Number
Assistant Director – Finance, Revenues and Benefits	01246 217658

KEY ISSUES OF FINANCIAL GOVERNANCE: UPDATE**APPENDIX 1**

Issue Raised	Progress to date including target dates.
<p>1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.</p>	<p>The Council has a good record in respect of achieving targeted levels of savings over the past few years. On the basis of the MTFP approved in February the shortfall of £0.171m in respect of the current financial year 2017/18 should be achievable, there still remains a further shortfall of £1.7m over the final three years of the MTFP which needs to be addressed at the earliest opportunity. Against this background, it is important that the Council continues to progress its growth and transformation strategies to secure financial sustainability and enable it to address the identified shortfall.</p> <p>In terms of 2017/18, at its previous meeting, this Committee was informed of the revised budget position for the current financial year, where the Council is anticipating to make a contribution to reserves of £780k.</p> <p>We are currently finalising the budget position for 2018/19 and the following 3 years where the Committee will receive an update on this via a presentation.</p> <p>The Council is currently working to update its efficiency and transformation plans which will contribute to addressing the financial shortfall for future years.</p> <p>In addition to the position in respect of the General Fund as outlined above, the Council in common with all social landlords have been required to implement a 1% p.a. rent reduction for the four years from April 2016. This policy together with changes in right to buy and the welfare system has a significant detrimental impact on the Council's HRA and the Council will need to continue to actively manage the position to ensure that the 30 year business plan remains robust.</p> <p>Progress in both these areas will continue to be reported as part of the Council's quarterly budget monitoring process.</p>
<p>2. To improve the Council's Internal Control arrangements.</p>	<p>This Key Issues of Financial Governance report, together with reports from Internal and External Audit should enable the Audit Committee to monitor the progress that is being made in respect of maintaining the quality of and securing improvements in our internal control arrangements. Internal Audit has undertaken a more prominent role in the Council's Performance Management arrangements since April 2013.</p> <p>Comprehensive training programme have been delivered to all cost centre managers during June 2017.</p> <p>It is anticipated to undertake Procurement Training to all Managers in the coming months.</p> <p>Progress reports from the Head of Internal Audit to this Committee will continue to highlight areas of concern with respect of internal control. Details of audits undertaken during this financial year are included elsewhere on this agenda.</p>
<p>3. A report in respect of Transport Administration was assessed as unsatisfactory. The</p>	<p>Officers are now in the process of addressing the Internal Audit recommendations and are of the view that appropriate changes are being implemented to minimise risk. Weaknesses in internal control have facilitated a minor misappropriation of funds of limited value which has been reported by the Council to the Police.</p>

main issues concerned system weaknesses which have surrounded the introduction of a new system.	<p>Officers have proactively undertaken works to resolve matters identified in the Action Plan resulting in 17 of 19 = 89% of actions now having been resolved.</p> <p>An update regarding the progress will be given by the Internal Audit Manager.</p>
4. Reports in respect of the administration of both Licensing and Health and Safety concluded that arrangements were marginal. Both the services concerned are joint arrangements operating across Bolsover and North East Derbyshire District Council.	<p>In both areas a comprehensive management review has been undertaken leading to the development of an Action Plan which is currently in the process of being implemented. Although it is a concern that Health and Safety - which was identified as a weakness in 2015/16 – remains marginal, significant improvement has been evidenced, although further work remains necessary. The Action Plans incorporate external support in order to secure improvement in a timely fashion. With respect to Licensing a reinstallation the current software to facilitate improved access to management information is taking place.</p> <p>In terms of the Health & Safety audit, progress on these recommendations is being monitored through the quarterly performance meeting.</p> <p>An update regarding the progress will be given by the Internal Audit Manager.</p>
5. Marginal Internal Audit reports for Social Media and S106 Agreements.	In both areas management is in the process of implementing the Internal Audit recommendations. The implementation of the actions required are being monitored through the Council's Performance Management framework.
6. To maintain a high standard of external financial reporting particularly in respect of the published accounts, against a background of a reduction in the statutory timescale for the closure of accounts.	The Council has continued to improve the quality of its financial accounts with the External Audit Report for 2016/17 concluding that our arrangements are robust. That standard needs to be maintained against a background of the significant reputational impact of not securing an unqualified external audit conclusion and the reality that good financial reporting is generally a sign of wider robust financial management. Accordingly the position will continue to be monitored as part of the Key Issues of Financial Governance report.