

# Audit Committee

Agenda and Reports

For consideration on

## Thursday, 17th January 2008

In the Council Chamber Town Hall, Chorley

At 11.00am



This page is intentionally left blank

8 January 2008

Dear Councillor

## **AUDIT COMMITTEE - THURSDAY, 17TH JANUARY 2008**

You are invited to attend a meeting of the Audit Committee to be held in the Council Chamber, Town Hall, Chorley on Thursday, 17th January 2008 commencing at 11.00am

There will be a short training session taking place on Data Quality commencing at **10.00am** also taking place in the Council Chamber and it is advisable that you attend.

### **AGENDA**

1. **Apologies for absence**

2. **Minutes** (Pages 1 - 6)

To confirm as a correct record the minutes for the meeting of the Audit Committee held on 27 September 2007 (enclosed)

3. **Declarations of Any Interests**

Members are reminded of their responsibility to declare any personal interest in respect of matters contained in this agenda. If the interest arises **only** as result of your membership of another public body or one to which you have been appointed by the Council then you only need to declare it if you intend to speak.

If the personal interest is a prejudicial interest, you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter.

4. **Use of Resources** (Pages 7 - 20)

Report of Audit Commission (enclosed)

5. **Best Value Performance Indicators (BVPP)** (Pages 21 - 26)

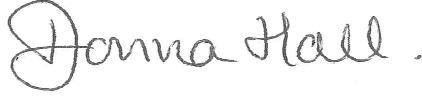
Report of Audit Commission (enclosed)

6. **Data Quality** (Pages 27 - 52)

Report of Audit Commission (enclosed)

7. **Annual Governance Statement - Update (Pages 53 - 58)**  
Report of Assistant Chief Executive (Business Transformation) (enclosed)
8. **Anti-Fraud & Corruption Strategy (Pages 59 - 92)**  
Report of Assistant Chief Executive (Business Transformation) (enclosed)
9. **Interim Report on Internal Audit Activities as at 30th December 2007 (Pages 93 - 98)**  
Report of Assistant Chief Executive (Business Transformation) (enclosed)
10. **Any other item(s) that the Chair decides is/are urgent**

Yours sincerely



Donna Hall  
Chief Executive

Dianne Scambler  
Trainee Democratic Services Officer  
E-mail: [dianne.scambler@chorley.gov.uk](mailto:dianne.scambler@chorley.gov.uk)  
Tel: (01257) 515034  
Fax: (01257) 515151

### **Distribution**

1. Agenda and reports to all Members of the Audit Committee (Councillor Anthony Gee (Chair), Councillor Mary Wilson (Vice-Chair) and Councillors Alan Cain, Mike Devaney, Keith Iddon and Shaun Smith) for attendance.
2. Agenda and reports to Gary Hall (Director of Finance), Donna Hall (Chief Executive), Garry Barclay (Audit and Risk Manager), Andy Armstrong (Assistant Audit Manager) and Dianne Scambler (Trainee Democratic Services Officer) for attendance.
3. Agenda and reports to Mike Thomas (Audit Commission) and Tony Hough (Audit Commission) for attendance.

**This information can be made available to you in larger print or on audio tape, or translated into your own language. Please telephone 01257 515118 to access this service.**

આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپکی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون

01257 515823

کیجئے:

This page is intentionally left blank

**Audit Committee****Thursday, 27 September 2007**

**Present:** Councillor Anthony Gee (Chair), Councillor (Vice-Chair) and Councillors Alan Cain and Mike Devaney

**Officers Present:** Gary Hall (Assistant Chief Executive (Business Transformation and Improvement)), Andrew Docherty (Corporate Director of Governance), Garry Barclay (Audit and Risk Manager), Andy Armstrong (Assistant Audit Manager) and Dianne Scambler (Trainee Democratic Services Officer)

**Also in attendance:** Mike Thomas (Audit Commission), Tony Hough (Audit Commission) and Allen Graves (Audit Commission)

**07.AU.12 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Keith Iddon, Shaun Smith and Mary Wilson

**07.AU.13 DECLARATIONS OF ANY INTERESTS**

No declarations of interest were declared.

**07.AU.14 MINUTES**

**RESOLVED – That the minutes of the meetings of the Audit Committee held on 21 June 2007 and 28 June 2007 be confirmed as a true record.**

**07.AU.15 FINANCIAL STATEMENTS 2006/2007**

The Audit Committee at its last meeting on 28 June 2007 had endorsed the Councils un-audited Financial Statement of Accounts for 2006/2007, which had subsequently been passed to the District Auditor for external audit.

The Audit Commission had audited the accounts and although there were no changes to the Councils financial position, a number of technical changes had been made to reflect the Council's activity more accurately.

The main change centred on the Income and Expenditure Account for the year ended 31 March 2007. The general fund showed a deficit that does not actually exist. The Statement Of Recommended Practice (SORP) had dictated the figures be recorded this way to reflect the activity concerning the Large Scale Voluntary Transfer process.

The Assistant Chief Executive (Business, Transformation and Improvement) explained that the new SORP had lacked definite guidance on how to record the (LSVT) and it had been mainly down to this that the production of the completed accounts had been unavailable when the agenda was published and he apologised to Members.

**RESOLVED – That the Financial Statement of Accounts for 2006/2007 be approved.**

**07.AU.16 ANNUAL GOVERNANCE REPORT**

The Audit Commission submitted their Annual Governance Report providing a summary of the work that they had carried out during the 2006/2007 audit of accounts.

At the time the report had been issued, work on the financial statements had been substantially complete, a few outstanding issues still needed to be resolved but they were now confident of issuing an unqualified audit opinion on 28 September 2007 and a draft report was attached in an appendix to the report.

The Audit Commission were satisfied that the Council's Governance Assurance Statement had been prepared in accordance with proper practice and was consistent with the findings from their audit.

The work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources had also been completed and they were also proposing to issue an unqualified conclusion on the Value for Money on 28 September 2007.

The Audit Commission commented that it had been extremely tight to turn the accounts around and they intended to meet with the Authority to address the issues within the timetable for the closure of the accounts.

The Assistant Chief Executive commented that the Council had intended to use more resources for the closure of the accounts, but the Authority has had difficulty in employing staff in some of the senior posts. An ongoing piece of work in the development of shared financial services with our neighbours South Ribble Borough Council was well advanced, this would improve the situation.

The Chair commented on the importance of the potential consequences of the Council missing the 30 September 2007 deadline. If this date were to be missed it would impact on the Authority's Value For Money (VFM) score, our creditability would be affected and we would incur even higher Audit Commission fees.

**RESOLVED – 1. That the report be noted.**

#### **07.AU.17 ANNUAL AUDIT & INSPECTION LETTER PROGRESS REPORT**

The Assistant Chief Executive (Business, Transformation and Improvement) submitted a report to keep Members of the Audit Committee informed of the progress made by the Council against the actions recommended by the External Audit in the annual inspection report for 2006.

Progress against all the actions were going as planned, although further works were needed in relation to the Corporate Strategy targets that were currently not being met, in the main progress against most of the targets was good.

The Committee Members felt reassured that the Council had put in place robust performance management arrangements that would identify when targets would not be met and what action was to be taken to rectify the situation.

Appendix B of the report showed details of the progress that had been made on the Corporate Strategy Targets.

The Corporate Strategy 2006/2007 – 2008/2009 contained 36 measures and targets that fell into one of three categories. The information on the delivery of those targets would be used to refocus activity or resources to deliver changes and improvements as part of an annual refresh or the Council's Corporate Strategy.

The Chair of the Committee commented that there were a number of targets that had not been met and that the Council were looking at ways of re-profiling the targets to make them more realistic. There was concern that the Authority was simply lowering



the threshold to make reaching the target more easy and asked if the Executive Cabinet could provide a more detailed explanation of their reasoning for doing this.

**RESOLVED 1. That the report be noted.**  
**2. That the Executive Cabinet be asked to provide a comprehensive report on the re-profiling of the four targets that had not been met.**

#### **07.AU.18 LOCAL CODE OF GOVERNANCE**

The Assistant Chief Executive (Business Transformation and Improvement) submitted a report explaining the new requirement upon councils to deliver and maintain a Local Code of Corporate Governance and presented a draft version of the Code that had been prepared in accordance with the prevailing guidance for Members to note and approve it for further consultation.

The new CIPFA SOLACE Framework identified the following 6 core principles that underpin a council's system of governance:

- Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting the value of the authority and demonstrating the values of good governance through behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively
- Engaging with local people and other stakeholders to ensure robust local public accountability

A series of sub-principles have been identified under each of the core principles, which in total provided a 63-point checklist and a working group of officers, had conducted detailed annual self-assessment against this checklist.

Where ever possible references would be made to independent sources of assurance such as external or internal audit reports that would confirm the effectiveness of special arrangements.

The results of the self-assessment had been published in the Annual Governance Statement alongside the annual accounts and the Strategy Group would review the draft statement prior to signature by the Leader of the Council and the Chief Executive.

This Committee would review and approve the draft Statement prior to publication but more importantly would have the responsibility for reviewing the adequacy and effectiveness of the Council's overall Governance arrangements.

The Committee noted that the Governance Statement highlighted the need for the production of an Internal Audit Strategy and this is dealt with further down the agenda.

**RESOLVED – That the new Local Code of Governance be approved for further consultation.**

#### **07.AU.19 RISK MANAGEMENT FRAMEWORK**

The Assistant Chief Executive (Business Transformation and Improvement) submitted a report seeking the Audit Committee's approval of a revised Risk Management Framework, which set out the current approach for managing business risk within the Council.

The Council's arrangements for managing business had developed over time to reflect changes in "best practice" or to comply with new regulatory requirements and it was now expected that the authority's risk management arrangements would be recorded in a formal framework or strategy document that would be approved by Members of this Committee.

The draft Risk Management Framework document describes the Council's current arrangements with particular reference to:

- Risk Management in Business Improvement Planning
- The Strategic Risk Register
- Operational/Directorate Risk Registers
- Responsibilities for Risk Management
- Risk Management in Procurement and Partnership Working
- Insurance and Health and Safety
- Risk Management Networking

Members asked if other plans, for example the Business Continuity Plan were contained within the Risk Management Framework, The Assistant Chief Executive (Business Technology and Improvement) commented that other aspects of Risk Management within the Authority were listed separately but thought that it would be a good idea to amend the framework to show the links to other documents.

**RESOLVED – That the amended Risk Management Framework be approved**

#### **07.AU.20 STRATEGIC RISK REGISTER UPDATE**

The Assistant Chief Executive (Business Transformation and Improvement) submitted a report explaining the recently updated Strategic Risk Register and to provide assurance to Members that the Council's arrangements for managing strategic risks reflected best practice and were effective.

The Strategic Risk Register is the most important element of the Council's Risk Management Framework and is the vehicle by which the Council aims to identify and address any potential risks to achieve its strategic objectives and goals.

The Members of the Audit Committee were satisfied that the register demonstrated that the processes in place are robust and working in practice, by the delivery of the stated targets, and felt confident that the Authority is managing risk effectively.

Members commented that it would be helpful to include timed delivery points in the register so that the Authority could measure its success.

**RESOLVED – That the report be noted.**

#### **07.AU.21 INTERNAL AUDIT STRATEGY**

The Assistant Chief Executive (Business Transformation and Improvement) submitted a report seeking Members approval of the new Internal Audit Strategy that had been a requirement of the latest CIPFA Code of Practice for Internal Audit.

There is a requirement by the Council to conduct a review of the effectiveness of its system of internal audit, and on that basis a self-assessment had been undertaken for

2006/07. The Review had identified no substantive compliance issues, except for the need for the Authority to produce a formal Internal Audit Strategy.

The Strategy included:

- Internal Audit objectives and outcomes
- How the Head of Internal Audit would form an evidence opinions on the control environment
- How Internal Audit's work would identify and address local and national issues and risks
- How the service would be provided; and
- The resources and skills required to deliver the Strategy

Members sought clarification, to ensure that all audit personnel would be free from conflicts of interest and would not undertake any non-audit duties to preserve objectivity.

The Assistance Chief Executive (Business, Transformation and Improvement) commented that at times there could be minimal conflict but that he had the confidence to rely on the professionalism of his officers on these occasions.

**RESOLVED – That the Internal Audit Strategy be approved.**

#### **07.AU.22 INTERIM REPORT ON INTERNAL AUDIT ACTIVITIES AS AT 14TH SEPTEMBER 2007**

The Assistant Chief Executive (Business Transformation and Improvement) submitted an interim report of the work undertaken in respect of the Annual Internal Audit Plan during the first and second quarters of 2007/08 and provided details on further reviews, investigations and other Internal Audit activities during the period.

An appendix to the report gave an assessment and rating on the adequacy of the controls for each of the systems examined by the Internal Audit section during the period.

The core purpose of Internal Audit continued to be one of independently reviewing the effectiveness of the Council's internal control system and core business processes. However, a key feature of their role this year was a continuing shift towards providing more proactive advice and assistance in developing the Council's corporate governance framework.

The report highlighted a number of items of work that were being undertaken by the Internal Audit Service in a wide range of areas across the Authority that fell under the following headings:

- Corporate Governance
- Risk Management
- Anti-Fraud and Corruption
- Review of Key Business Systems
- Review of Financial Systems
- Review of Key Operations

The Assistant Chief Executive (Business, Transformation and Technology) reported on an important piece of work that was currently being undertaken on Charging Policies to ascertain whether the Council is utilising all its income generating opportunities to its optimum level from established income generating areas.

**RESOLVED – That the report be noted**

Chair

Use of Resources

---

Date

---

Last saved: 17/12/2007 15:41:00



# **Use of Resources Auditor Judgements 2007**

**Chorley Borough Council**

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Allen Graves

Filename CBC Use of Resources Auditor Judgements 2007  
DRAFTv3

### **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2007

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

# Contents

|                                    |           |
|------------------------------------|-----------|
| <b>Introduction</b>                | <b>4</b>  |
| <b>Use of resources judgements</b> | <b>5</b>  |
| <b>Theme summaries</b>             | <b>6</b>  |
| Financial reporting                | 6         |
| Financial management               | 7         |
| Financial standing                 | 9         |
| Internal control                   | 10        |
| Value for money                    | 12        |
| <b>Conclusion</b>                  | <b>13</b> |
| Use of resources 2008              | 13        |

DRAFT

## Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This is the third assessment we have undertaken at Chorley Borough Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year, to demonstrate their arrangements are working effectively and are embedded.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale. This scale is used across its inspection and performance assessment frameworks.

**Table 1 Standard scale used for assessments and inspections**

|   |   |
|---|---|
| 1 | Below minimum requirements – inadequate performance       |
| 2 | Only at minimum requirements – adequate performance       |
| 3 | Consistently above minimum requirements – performing well |
| 4 | Well above minimum requirements – performing strongly     |

- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2007, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.
- 5 The five theme scores for Chorley Borough Council are outlined overleaf. This summary sets out our key findings in relation to each theme and key areas for improvement.



## Use of resources judgements

**Table 2 Summary of scores at theme and KLOE level**

| Key lines of enquiry (KLOEs)  | Score 2007 | Score 2006 |
|---|------------|------------|
| <b>Financial reporting</b>  |            |            |
| 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.           | 2          | 3          |
| 1.2 The Council promotes external accountability.   | 4          | 3          |
| <b>Financial management</b>   |            |            |
| 2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. | 2          | 2          |
| 2.2 The Council manages performance against budgets.  | 3          | 3          |
| 2.3 The Council manages its asset base.   | 3          | 3          |
| <b>Financial standing</b>   |            |            |
| 3.1 The Council manages its spending within the available resources.  | 4          | 3          |
| <b>Internal control</b>   |            |            |
| 4.1 The Council manages its significant business risks.   | 4          | 3          |
| 4.2 The Council has arrangements in place to maintain a sound system of internal control.   | 3          | 3          |
| 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.             | 2          | 2          |
| <b>Value for money</b>  |            |            |
| 5.1 The Council currently achieves good value for money.  | 4          | 4          |
| 5.2 The Council manages and improves value for money.   | 4          | 3          |

## Theme summaries

- 6 The key findings and conclusions for each of the five themes are summarised in the following tables.

### Financial reporting

**Table 3**

|  |  |
|--|--|
| <b>Theme score 3</b>   |  |
| <b>Key findings and conclusions</b>  |  |
| <p>Preparation the 2006/07 financial statements was particularly complex due to the changes to the 'Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice' (SORP) and the impact on the accounting entries relating to the large scale voluntary transfer (LSVT). Whilst the Council accounted for the majority of these changes correctly, some material amendments were necessary.</p> <p>The Council is performing strongly in terms of promoting external accountability, updating its summary accounts to make them more understandable to the public.</p> |  |
| <b>Improvement opportunities</b>   |  |
| <p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>  | <p>Continue to develop closedown arrangements to further reduce the number of errors contained in the accounts submitted for audit by:</p> <ul style="list-style-type: none"> <li>• preparing early set of accounts to allow initial audit review and ensure robust member scrutiny;</li> <li>• improving quality assurance processes; and</li> <li>• ensuring all prescribed working papers are available at the start of the audit;</li> </ul> <p>Ensure all additional requests from the auditor are responded to promptly in accordance with any agreed deadlines.</p> |
| <p>KLOE 1.2 The Council promotes external accountability.</p>  | <p>Seek opportunities for improving interaction and further promoting external accountability</p>  |

## Financial management

**Table 4**

|   |   |
|---|---|
| <b>Theme score 3</b>  |   |
| <b>Key findings and conclusions</b>   |   |
| <p>Following the change in the assessment period, there has been limited opportunity for the Council to strengthen arrangements relating to financial management in time to be considered as part of this assessment.</p> <p>In terms of asset management, the Council's Corporate Strategy and capital forecasts have been updated, and the latest rolling 3-year Capital Strategy covers the period up to 31 March 2008. The Capital Strategy and the Asset Management Plan (AMP) show good links to each other and to the Medium-Term Financial Strategy (MTFS), and all three documents are to be further updated by early 2008. An up-to-date Asset Register has also been compiled. The new contract to out-source the property management function to Liberata has now been signed and includes programmes for both planned and backlog maintenance.</p> <p>There are sound governance arrangements covering the organisation, supervision and reporting of the Council's asset management function, and elected Members are fully involved in these. There are also good arrangements for project appraisal and prioritisation, with investment and disposal decisions being based on whole-life costing. Both the AMP and the Unit Business Plan for 2006/7 include targets for property that link asset performance to corporate and business objectives, and the new Liberata contract for Property Services sets out clear service, performance and efficiency targets for future monitoring.</p> |   |
| <b>Improvement opportunities</b>  |   |
| <p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>  | <p>Build sensitivity analysis into the development of the corporate strategy and gather more explicit evidence of stakeholder consultation.</p> <p>State revenue implications of capital investment plans more explicitly in the MTFS.</p> <p>Develop linkages between the MTFS and other internal strategies and plans as appropriate, eg human resources, IT.</p> |
| <p>KLOE 2.2 The Council manages performance against budgets.</p>  | <p>Test financial systems on a regular basis to ensure report outputs are timely, accurate, reliable, and clear, in a</p>   |

|   |   |
|---|---|
| <b>Theme score 3</b>                                |   |
|   | <p>convenient format to be readily understood by their recipients.</p> <p>Review effectiveness of Cabinet and the leadership it provides with regard to financial management, taking appropriate action to address areas of weakness.</p> <p>Further develop 'traffic light' system (or similar) to focus Cabinet on key variances, supported by evidence of corrective action.</p> <p>Provide Cabinet with accrued financial monitoring reports, particularly on significant balance account items, at appropriate key points during the year.</p> <p>Further develop financial information systems that meet user needs by consulting with users, and providing them with advice and training.</p> <p>Profile savings and efficiency gains over the year and provide members with monitoring information throughout the period to ensure their achievement.</p> |
| <p>KLOE 2.3 The Council manages its asset base.</p> | <p>Use performance measures and benchmarking to describe and evaluate how the Council's asset base contributes to the achievement of corporate and service objectives (including improvement priorities)</p> <p>Communicate this information to relevant stakeholders</p> <p>Integrate information concerning the cost and performance of the Council's asset base into single performance reports, to provide a more complete picture of the Council's asset performance and thereby to facilitate its more effective management.</p>  |

## Financial standing

**Table 5**

|   |   |
|---|---|
| <b>Theme score 4</b>  |   |
| <b>Key findings and conclusions</b>   |   |
| <p>The Council is performing strongly in terms of managing its spending within the available resources. Collection rates for material sources of income continue to improve and for housing rents and Council Tax represent top quartile performance for 2006/07. The Council has also conducted a detailed review of debt management arrangements to minimise debt and assess debt recovery methods.</p> |   |
| <b>Improvement opportunities</b>  |   |
| <p>KLOE 3.1 The Council manages its spending within the available resources.</p>  | <p>Seek opportunities for further enhancements in managing spend within available resources eg</p> <p>If a decision is made to fund the capital programme through external borrowing, monitor prudential indicators on a more regular basis.</p> <p>Review the policy for reserves and balances in light of the forthcoming transfer of HRA balances to the General Fund ensuring that a clear link to the needs and risks the Council faces.</p> |

## Internal control

**Table 6**

|  |  |
|--|--|
| <b>Theme score 3</b>   |  |
| <b>Key findings and conclusions</b>  |  |
| <p>The Council is now performing strongly in terms of managing its significant business risks. Directorate assurance statements, which have been introduced to strengthen corporate governance arrangements, provide assurance that risk management procedures are being applied at service level. The strategic risk register has also been updated to demonstrate action taken in relation to positive as well as negative risks.</p> <p>Following the change in the assessment period, there has been limited opportunity for the Council to strengthen arrangements relating to maintaining a sound system of internal control and promoting and ensuring probity and propriety in the conduct of its business in time to be considered as part of this assessment. The main improvement to existing systems of internal control is the introduction of the Directorate assurance statements referred to above. In addition, detailed reviews of business continuity management and registers of disclosures have been undertaken by Internal Audit.</p> |  |
| <b>Improvement opportunities</b>   |  |
| <p>KLOE 4.1 The Council manages its significant business risks.</p>  | <p>Seek opportunities for further improving risk management eg</p> <p>Review provision of risk management awareness training for all members on a regular basis, including those without specific responsibility for risk management.</p>  |
| <p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>  | <p>Ensure that the relevant portfolio holders certify service statements of assurance on internal control to better evidence member review of the sources of assurance which support the Statement on Internal Control.</p> <p>Continue to develop arrangements for business continuity planning to demonstrate that they are effective.</p> <p>Develop corporate arrangements for reviewing policies and procedures, including financial procedures and partnership arrangements.</p> |

|   |   |
|---|---|
| <b>Theme score 3</b>  |   |
|   | <p>Formalise and better evidence monitoring of compliance with standing orders, standing financial instructions and the scheme of delegation by management.</p>   |
| <p>KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p> | <p>Assess standards of conduct, including how effectively members are complying with the code of conduct, the number and type of complaints received and whether appropriate action has been taken.</p> <p>Ensure members understand and comply with procedures around the need to declare gifts and hospitality.</p> <p>Review registers of interests and of gifts and hospitality on a regular basis to ensure members and staff are making appropriate disclosures.</p> <p>Ensure all proactive counter fraud and corruption work is determined by a formal risk assessment and is adequately resourced.</p> |

DRAFT

## Value for money

**Table 7**

|  |  |
|--|--|
| <b>Theme score 4</b>   |  |
| <b>Key findings and conclusions</b>  |  |
| <p>The Council's overall costs compare favourably with those of other Districts, and its overall performance remains consistently high in relation to them. Areas of high cost and/or sub-standard performance are vigorously and effectively challenged, and there is a strong culture of continuous service improvement and VFM throughout the Council.</p> <p>The Council has comfortably exceeded its corporate savings targets, both in relation to Gershon efficiencies and strategic procurement. Extensive and innovative use is being made of ICT to improve service efficiency, user focus and customer access to Council services. There is a strong emphasis on the use of joint procurement, shared services and the sustainability agenda.</p> <p>The Council continues to make good use of external funding, and has also taken positive steps to publicise the opportunities for wider public access to such funds.</p> <p>Examples of notable practice identified last year remain valid, and several new ones have been identified for the current year.</p> <p>The Council has responded effectively to the improvement opportunities identified by last year's Use of Resources assessment in relation to VFM KLoE 5.2, by:</p> <ul style="list-style-type: none"> <li>• establishing a 3-year programme of wide-ranging VFM reviews; and</li> <li>• taking effective steps to implement the new Benchmarking Strategy.</li> </ul> |  |
| <b>Improvement opportunities</b>   |  |
| KLOE 5.1 The Council currently achieves good value for money.  | Seek opportunities for further improvements in value for money |
| KLOE 5.2 The Council manages and improves value for money.   | Seek opportunities for further improvements in value for money |



## Conclusion

- 7 The Council continues to demonstrate its commitment to improving arrangements for managing and using its resources, with arrangements in the following four areas now performing strongly:
  - promoting external accountability;
  - managing spending within the available resources;
  - managing its significant business risks; and
  - managing and improving value for money.
- 8 This resulted in Chorley achieving an overall level 4. This is a significant achievement with only X other district councils in the country achieving this.

## Use of resources 2008

- 9 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show all the changes from 2007. This should assist you in pin pointing the changes. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 10 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.
- 11 The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.

This page is intentionally left blank

Audit Summary Report

---

---

Last saved: 28/12/2007 11:31:00



# **Auditor's report on the Best Value Performance Plan**

**Chorley Borough Council**

**Audit 2007/08**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2007

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

## Contents

|                              |   |
|------------------------------|---|
| Authority's Responsibilities | 4 |
| Auditors' Responsibilities   | 4 |
| Report and recommendations   | 4 |

DRAFT

## Authority's Responsibilities

- 1 The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. Under the Local Government Act 1999 (the Act) the Council is required to prepare and publish a best value performance plan summarising the Council's assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2 The Council is responsible for the preparation of the plan and for the information and assessments set out within it. The Council is also responsible for establishing appropriate corporate performance management and financial management arrangements from which the information and assessments in its plan are derived. The form and content of the best value performance plan are prescribed in section 6 of the Act and statutory guidance issued by the Government.

## Auditors' Responsibilities

- 3 I am required by section 7 of the Local Government Act 1999 and the Audit Commission's statutory Code of Audit Practice to carry out an audit of the Council's best value performance plan, certify that I have done so, and report:
  - any matters that prevent me from concluding that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
  - where appropriate, making any recommendations under section 7 of the Local Government Act 1999.

## Report and recommendations

- 4 I certify that I have audited the Council's best value performance plan in accordance with section 7 of the Local Government Act 1999 and the Audit Commission's statutory Code of Audit Practice.
- 5 In preparing my report I am not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Council. My work, therefore, comprised a review and assessment of the plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy me/ourselves that the plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.

- 6 I have not identified any matters to report to the authority.
- 7 I have no recommendations to make on procedures in relation to the plan.

**Mike Thomas**

**December 2007**

Audit Commission

2nd Floor Aspinall House,

Aspinall Close,

Middlebrook,

Bolton

BL6 6QQ

DRAFT

This page is intentionally left blank



# Data Quality

**Chorley Borough Council**

**Audit 2007/08**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explain the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

## Contents

|   |           |
|---|-----------|
| <b>Background</b>                         | <b>4</b>  |
| <b>Scope and objectives</b>               | <b>5</b>  |
| <b>Conclusions</b>                        | <b>6</b>  |
| <b>Management arrangements (Stage 1)</b>  | <b>7</b>  |
| <b>Analytical review (Stage 2)</b>        | <b>13</b> |
| <b>Data quality spot checks (Stage 3)</b> | <b>15</b> |
| <b>Appendix 1 – Action plan</b>           | <b>18</b> |

## Background

- 1 Public bodies are accountable for the public money they spend: they must manage competing claims on resources to meet the needs of the communities they serve, and plan for the future. The financial and performance information they use to account for their activities, both internally and externally, to their users, partners, commissioners, government departments and regulators, must be appropriate for these purposes, providing the level of accuracy, reliability and consistency required.
- 2 Considerable weight is attached to published performance indicators as the basis for reducing the burden of regulation and awarding freedoms and flexibilities. This has made reliable performance information, and the quality of the underlying data, significantly more important. Regulators and government departments need to be assured that reported information reflects actual performance. This will provide confidence that they are focusing on the key areas for improvement.
- 3 Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators in its service assessments for comprehensive performance assessment (CPA). This delivers the commitment to reduce significantly the level of service inspection required.
- 4 Introducing the comprehensive area assessment (CAA) framework from 2009 will make reliable performance information more important. The CAA will place greater emphasis on assessments that are proportional to risk. Councils will also be required to use information to reshape services, and to account to the public for performance.
- 5 The responsibility for securing the quality of the data underpinning performance information can only rest with the bodies that collect and use the data. Producing data which is fit for purpose should not be an end in itself, but an integral part of a body's operational, performance management, and governance arrangements. Organisations that put data quality at the heart of their performance management systems are most likely to be actively managing data in their day-to-day business, and turning that data into reliable information.
- 6 This is the second year in which we have undertaken work on data quality in local government. Our work is complemented by the Audit Commission's paper, *Improving information to support decision making: standards for better quality data*. This paper sets out standards, for adoption on a voluntary basis, to support improvement in data quality.
- 7 The expected impact of our work on data quality is that it will drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments are based.

## Scope and objectives

- 8 The Audit Commission has developed a three-stage approach to the review of data quality comprising.

**Table 1**

|                |  |
|----------------|--|
| <b>Stage 1</b> | <p><b>Management arrangements</b></p> <p>A review to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice. The findings contribute to the auditor's conclusion under the Code of Audit Practice on the council's arrangements to secure value for money (the VFM conclusion).</p> |
| <b>Stage 2</b> | <p><b>Analytical review</b></p> <p>An analytical review of 2006/07 BVPI and non-BVPI data, and selection of a sample for testing based on risk assessment.</p>   |
| <b>Stage 3</b> | <p><b>Data quality spot checks</b></p> <p>In-depth review of a sample of 2006/07 performance indicators (PIs) most of which come from a list of specified BVPIs and non-BVPIs used in CPA, to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information in practice.</p>  |

- 9 All three stages of the review have been carried out at Chorley Borough Council.

## Conclusions

### Stage 1 – Management arrangements

- 10 The Council's overall management arrangements for ensuring data quality have improved since our last review, most notably in terms of providing overall leadership and supporting officers in collating and compiling performance indicators. There is now scope to build on these improvements. In particular, there is a need to translate the data quality action plan into a formal strategy, to ensure that all responsible officers have received appropriate training and to ensure the integrity of data received from third parties.

### Stage 2 – Analytical review

- 11 Our analytical review work at stage 2 identified that all of the PI values reviewed fell within expected ranges or could be substantiated by evidence.

### Stage 3 – Data quality spot checks

- 12 For stage 3, we carried out:
  - detailed reviews of arrangements for BV199 (cleanliness of public places) and the Housing Investment Programme Housing Strategy Statistical Appendix (HIP HSSA) indicator (percentage of total private sector homes vacant for more than six months); and
  - a follow up of our work last year on BV183b (average time spent in temporary accommodation – hostels) as we found data quality issues in our 2005/06 audit.
- 13 Our detailed reviews of BV199 and HIP HSSA found that these PIs were fairly stated. There are now opportunities for the relevant service areas to strengthen their arrangements for compiling these indicators.
- 14 The Council is now using its IT system (Orchard) to compile data for calculating BV183b. This has improved efficiency but our follow up work identified that the system is not calculating length of stay strictly in accordance with the guidance issued to Audit Commission staff for the stage 3 tests. We do not consider the difference to be material, but the Council has submitted a revision to its data and the PI is fairly stated. In the meantime, we have raised the issue of the discrepancy between the guidance followed by the Council and that issued to Audit Commission staff through our internal co-ordination arrangements.
- 15 An action plan has been agreed with the Council (see Appendix 1) to address the issues arising from this review.

## Management arrangements (Stage 1)

- 16 The Council's overall management arrangements for ensuring data quality have improved since our last review, most notably in terms of providing overall leadership and supporting officers in collating and compiling performance indicators. There is now scope to build on these improvements. In particular, there is a need to translate the data quality action plan into a formal strategy, to ensure that all responsible officers have received appropriate training and to ensure the integrity of data received from third parties.

### Governance and leadership

- 17 Since our last review, the Council has put arrangements in place to promote a more strategic commitment to data quality, and to more clearly define responsibilities for this at both managerial and operational levels. Data quality is now included within the Council's Annual Report and corporate risk register, and a data quality strategy has been produced. This identifies the Director and Executive Member for Policy and Performance as having overall responsibility for data quality. It also sets out the roles and responsibilities expected of officers within services. Additionally, as part of an annual Directorate Assurance Statement, directors are now required to provide an assessment of data quality arrangements within their remit. This reinforces the message that data quality is of concern to the whole organisation.
- 18 There is scope to further embed data quality arrangements throughout the organisation. For example, staff changes in the last year left the Council's Strategic Housing function with no dedicated officer for the compilation of the HIP HSSA indicator although this has now been addressed through support to the Strategic Housing function.
- 19 Steps have been taken to raise elected members' awareness of data quality issues but this could be formalised. The Executive Member for Policy and Performance has been briefed on organisational arrangements for data quality and the Executive Member Portfolio leads are routinely advised of any issues as part of the programme of performance round table meetings. Briefing now needs to be provided for members of the Audit Committee to enable them to discharge their role in respect of data quality.
- 20 There is also scope for the Council to strengthen its strategic approach to planning and monitoring improvements in data quality. The Council's data quality strategy does not set out specific or measurable objectives, and there has been no formal reporting on the outcomes of internal monitoring activities. This would allow any issues which may require corporate attention to be considered and addressed in an appropriate forum whilst further promoting a sense of organisational ownership.

**Recommendations**

*R1 Provide regular briefings for Members of the Audit Committee on data quality issues.*

Implementing this recommendation will help the Council to further strengthen Member leadership and accountability for data quality. It is not anticipated that it will incur significant cost.

*R2 To strengthen arrangements for planning and monitoring improvements in data quality:*

- *develop the action plan component of the current data quality strategy as a separate and formal strategy which sets out objectives for improving data quality agreed in conjunction with service areas and supported by specific targets;*
- *ensure that an implementation plan is drawn up to achieve these objectives; and*
- *provide periodic reports on progress in implementing the strategy to the Audit Committee.*

Implementing this recommendation will help the Council to further strengthen corporate ownership in delivering improvements in data quality. It is not anticipated that it will incur significant cost.

**Policies**

- 21** In response to our recommendations from the 2005/06 review, the Council has established a basic policy framework for data quality and has taken steps to implement this. Its data quality strategy actually reads more like a policy in that it provides an outline of requirements in terms of data collection, recording and reporting. Complementing this, services have been required to update and document the procedures associated with compilation of all indicators within their remit. The data quality strategy is readily available to all staff as it is posted on the Council's intranet ('the loop'), and capacity within the Policy and Performance Directorate has been increased to provide ongoing support.
- 22** Further work is needed to ensure that this policy framework is well used throughout the organisation. The programme of quality reviews completed in June 2007 found instances where performance reporting checklists had not been completed in line with the requirements set out in the data quality strategy. Similarly, at the time of our spot check work for stage 3, a full set of procedures for the compilation of the HIP HSSA indicator had not yet been documented although action was being taken to address this.



- 23 Additionally, at the time of our fieldwork, the corporate policy framework did not make certain data quality requirements sufficiently explicit for service areas. For example, although the data quality strategy stressed the importance of ensuring that data provided by third parties is accurate, it did not set out what should be included in a contract or specification (eg timetables for submission, arrangements for verifying and validating returns). Similarly, the strategy did not detail what checks should be undertaken by Directors before signing off performance reporting checklists, or place any requirement on services to undertake periodic reviews of data quality. The Council has started taking action since our fieldwork to address these points.

### **Recommendation**

*R3 In revising the data quality strategy (R2), develop the policy component as a separate document to provide more detail for service areas on requirements for each stage of data collection, collation and reporting. This should include:*

- *greater clarity on the arrangements which need to be put in place for ensuring the quality of data provided by third parties; and*
- *the checks and reviews of data validity expected to be undertaken in service.*

Implementing this recommendation will help the Council to further strengthen corporate ownership and assurance for data quality. It is not expected that it will incur significant cost.

### **Systems and processes**

- 24 The Council has adequate arrangements for reviewing the effectiveness of its systems and processes for compiling performance indicators, and these are being further developed. Internal audit has continued its programme of spot checks within service areas based on a sound assessment of risk. In future, these spot checks are to be undertaken on a quarterly basis, and the outcomes incorporated into training for relevant staff. This will provide an opportunity for good practice to be shared across the organisation.
- 25 The programme of reviews could also usefully support the Council's other governance/assurance arrangements for data quality but arrangements for reporting the outcomes of reviews could be strengthened. The outcomes of spot checks could be reported more formally to Directors than is currently the case.
- 26 The Council has controls in place to ensure the security of data but is not managing this risk as proactively as it could. For example, internal audit reports that it has not undertaken any work on the security of the Council's main performance management system (Performance Plus) for some time.

- 27 Similarly, there are opportunities for the Council to further reduce the risk of manual error in compiling all PIs. For example, to compile BV199 (cleanliness of public places), the outcomes of individual transects are manually inputted by the responsible officer within the Streetscene, Neighbourhood and Environment Directorate into its IT system (FLARE) and then separately into Performance Plus for the purposes of corporate performance monitoring as the two systems are not linked.
- 28 The Council now needs to develop robust arrangements for ensuring the quality of data from third parties. A systematic and comprehensive review of all instances of internal and external data sharing now needs to be undertaken and the data quality standards expected of other agencies clearly and consistently specified. For example, although the Council’s contract with Chorley Community Housing requires the organisation to comply with the data quality strategy, the strategy now needs to be updated to include the level of detail necessary to provide proper assurance. Although this is now being addressed, the Council’s Strategic Housing function does not yet have protocols with Registered Social Landlords (RSLs) covering the provision of data. Delays in receiving information relating to the number of properties owned by RSLs contributed to the Council missing the deadline for the HIP HSSA return this year.

**Recommendations**

*R4 Strengthen internal processes for ensuring data quality by:*

- *revising arrangements for reporting the outcomes of internal reviews so that these inform the end of year completion of the Directorate Assurance Statement;*
- *agreeing and implementing a programme of periodic reviews of the security of Performance Plus; and*
- *investigating the potential for integrating service-based systems with Performance Plus as part of the data quality strategy, and ensuring that any actions identified by this review are reflected in the implementation plan.*

Implementing this recommendation will provide the Council with greater assurance of the validity of its data. It is not expected that it will incur significant cost.

*R5 Strengthen arrangements for ensuring the quality of data provided by third parties by:*

- *undertaking a systematic review to identify of all instances of data sharing; and*
- *ensuring that the arrangements as set out in the data quality policy (R3) are in place for all instances of data sharing.*

Implementing this recommendation will provide the Council with greater assurance of the validity of its data. It is not expected that it will incur significant cost.

**People and skills**

- 29 The Council has taken action to develop the capacity of staff for ensuring data quality. As referenced in an earlier section of this report, respective roles and responsibilities have been clarified. Corporate accountability has also been reinforced through a number of briefing sessions for relevant staff which were held in December 2006.
- 30 The Council acknowledges that it now needs to build on these initial steps.
- 31 In line with the data quality strategy, the Council intends to run annual workshops for relevant staff to cover issues raised by internal reviews. These will provide the opportunity for needs based training as well as sharing good practice. These workshops now need to be formally scheduled. Additionally, given the planned frequency of these workshops, supplementary provision needs to be made for new-starters to ensure that they receive timely briefings on data quality issues. For example, the designated responsible officer for the HIP HSSA indicator had not yet received any corporate training at the time of our review and was wholly reliant on national guidance in compiling the indicator.
- 32 At the same time, operational accountability for data quality could be further strengthened by setting objectives (which link to the targets defined in the data quality strategy) for staff with specific responsibilities for data quality as part of their personal development reviews.

| <b>Recommendations</b>  |
|---|
| <p><i>R6 Put arrangements in place which:</i></p> <ul style="list-style-type: none"> <li>• <i>systematically identify all new starters with responsibility for data quality; and</i></li> <li>• <i>ensure that new starters with responsibility for data quality consistently receive appropriate training within an agreed period of their start date with the Council.</i></li> </ul> <p>Implementing this recommendation will enable the Council to provide proper support to all officers with a responsibility for data quality. It is not expected that this will incur significant cost.</p>                                     |
| <p><i>R7 As part of personal development reviews for staff with specific responsibilities for data quality, include:</i></p> <ul style="list-style-type: none"> <li>• <i>data quality objectives which link to the targets defined in the data quality strategy; and</i></li> <li>• <i>an assessment of progress/performance against these objectives in subsequent reviews.</i></li> </ul> <p>Implementing this recommendation will help the Council to further promote corporate ownership of data quality and support the implementation of its data quality strategy. It is not expected that this will incur significant cost.</p> |

**Data use and reporting**

- 33 The Council makes excellent use of performance data in managing and improving its services. Quarterly performance reports are made to a variety of decision-making committees, for example Executive Cabinet and the Overview and Scrutiny Committee. These are now supplemented by quarterly round table meetings between the Executive Officer and Member for each portfolio and the Director of Policy and Performance and the Executive Member for Policy and Performance. Action plans to address areas of underperformance are produced and are included in the quarterly performance reports.

## Analytical review (Stage 2)

- 34 An analytical review of the following BVPIs was carried out. The findings, subject to the validation of a sample of PIs in stage 3 spot checks, are shown below.

**Table 2**

| <b>2006/07 Performance indicator</b>                               | <b>Assessment</b>   | <b>Comment</b>  |
|--|---|---|
| BV 184b<br>Percentage change in the proportion of non decent homes | Variance from 2005/06 attributable to other issues.                 | The Council undertook a new stock condition survey in October 2005 as part of the Large Scale Voluntary Transfer (LSVT) of its housing stock. The calculation of 2005/06 outturn had been based on a 2002 survey.     |
| BV 217<br>Pollution control improvements                           | Variance from 2005/06 attributable to real performance decline.     | With restructuring of the directorate, none of the pollution control improvements identified have been delivered within the prescribed timescale.   |
| BV 66b<br>Rent Collection and Arrears Recovery – 7 weeks arrears   | Variance from 2005/06 attributable to real performance improvement. | Preventative measures are included in the rent collection and arrears pursuance policy and have been delivered by the Council's tenancy support team and partnership working with the Citizens' Advice Bureau.        |
| BV 78a<br>Speed of processing new claim to HB/CTB                  | Variance from 2005/06 attributable to real performance improvement. | Improvements have been achieved through a combination of process re-engineering (including cross departmental working), staff training and ongoing monitoring and review of progress in processing individual claims. |

**14** Data Quality | Analytical review (Stage 2)

| <b>2006/07 Performance indicator</b> | <b>Assessment</b>   | <b>Comment</b>   |
|--------------------------------------|---|--|
| BV 82ai                              | Variance from 2005/06 attributable to real performance improvement. | Improvements have been achieved through increased participation in the recycling scheme brought about by various initiatives by the Council. |

- 35** All other PIs reviewed were found to be complete and within plausible and permissible values.

## Data quality spot checks (Stage 3)

- 36 A number of PIs were reviewed using a series of detailed audit tests/follow up work. Our findings are shown below.

**Table 3**

| <b>Performance indicator</b>                                  | <b>Assessment</b>                   | <b>Comment</b>   |
|---|-------------------------------------|--|
| <b>Environment</b><br>BV199<br>(cleanliness of public places) | Fairly stated<br>(but see comments) | <p>Whilst performance was correctly reported to one decimal place in the Council's annual report, the Council rounded the figure down when submitting data to our electronic data capture system. However, as the error was less than 10 per cent, we did not deem this material.</p> <p>Management arrangements associated with this indicator are otherwise satisfactory but there is scope for the service to further strengthen the co-ordination of individual surveys. Within each survey period, individual transects are selected by the Neighbourhood Officers meaning that an even distribution across land use types is not always being achieved. Additionally, surveys are tending to be undertaken on particular days of the week and at weekends which is not strictly in accordance with the guidance.</p> |

| Performance indicator  | Assessment                                  | Comment   |
|--|---|---|
| <p><b>Housing</b><br/>HIP HSSA<br/>(percentage total private sector homes vacant for more than 6 months)</p> | <p>Fairly stated</p>                        | <p>Weaknesses in management arrangements (referenced under the stage 1 section of this report) have been compounded by key staffing changes within the Council’s Strategic Housing function. As a result, the Council did not submit the data by the requisite date. However, we found no errors in the calculation, and are satisfied that an action plan is now in place to address the areas of weakness.</p>  |
| <p><b>Housing</b><br/>BV183b<br/>(average time in temporary accommodation – hostels)</p>                     | <p>Fairly stated<br/>(but see comments)</p> | <p>Since our last review, the Council has taken steps to strengthen data collection and collation processes and, as part of this, is now using its IT system (Orchard). However, the system has not been calculating length of stay in accordance with guidance issued to Audit Commission staff for the stage 3 tests but has been under-reporting by one day in each case. The Council therefore submitted a revision to its data but, as the error was less than 10 per cent, we did not consider this material. In the meantime, we have raised the issue of the discrepancy between the guidance followed by the Council and that issued to Audit Commission staff through our internal co-ordination arrangements. As referenced under the stage 1 section of this report), the contract between the Council and Chorley Community Housing does not yet make data quality requirements sufficiently explicit.</p> |



| Performance indicator | Assessment | Comment   |
|-----------------------|------------|---|
|                       |            | We have not made a separate recommendation, but expect the Council to address this weakness in the implementation of recommendations 3 and 5. |

| <b><i>Recommendation</i></b>  |
|---|
| <p><i>R8 Improve the survey packs issued to Neighbourhood Officers at the start of each BV199 survey period by including:</i></p> <ul style="list-style-type: none"> <li><i>• guidance on the number of transects by land-use type they will need to review in their neighbourhoods within that survey period; and</i></li> <li><i>• a reminder of the need to ensure an even distribution of reviews throughout the week and to avoid weekends.</i></li> </ul> <p>Implementing this recommendation will help the Council to ensure full compliance with the guidance for this indicator. It is not expected that it will incur significant cost.</p> |

## Appendix 1 – Action plan

| Page no. | Recommendation  | Priority<br>1 = Low<br>2 = Med<br>3 = High | Responsibility             | Agreed | Comments   | Date                             |
|----------|---|--|----------------------------|--------|--|----------------------------------|
|          | <b>Governance and leadership</b>  |  |                            |        |  |                                  |
| 8        | R1 Provide regular briefings for Members of the Audit Committee on data quality issues.   | 2  | Sarah Dobson/<br>Gary Hall | Yes    | Implementing this recommendation will help the Council to further strengthen Member leadership and accountability for data quality. It is not anticipated that it will incur significant cost.<br><br>Council response/update:<br><br>A briefing has been arranged on the 17th January 2008. | Ongoing from the 17 January 2008 |
| 8        | R2 To strengthen arrangements for planning and monitoring improvements in data quality: <ul style="list-style-type: none"> <li>develop the action plan component of the current data quality strategy as a separate and formal strategy which sets out objectives for improving data quality agreed in conjunction with service areas and supported by specific targets;</li> <li>ensure that an implementation plan is drawn up to achieve these objectives; and</li> <li>provide periodic reports on progress in implementing the strategy to the Audit Committee.</li> </ul> | 3  | Sarah Dobson/<br>Gary Hall |        | Implementing this recommendation will help the Council to further strengthen corporate ownership in delivering improvements in data quality. It is not anticipated that it will incur significant cost.<br><br>Council response/update:<br><br>Update paper to be prepared                   | 17 January 2008 and ongoing      |

| Page no. | Recommendation  | Priority<br>1 = Low<br>2 = Med<br>3 = High | Responsibility | Agreed | Comments   | Date         |
|----------|---|--|----------------|--------|--|--------------|
| 9        | <p>R3 In revising the data quality strategy (R2), develop the policy component as a separate document to provide more detail for service areas on requirements for each stage of data collection, collation and reporting. This should include:</p> <ul style="list-style-type: none"> <li>greater clarity on the arrangements which need to be put in place for ensuring the quality of data provided by third parties; and</li> <li>the checks and reviews of data validity expected to be undertaken in service.</li> </ul>  | 3  | Sarah Dobson   | Yes    | <p>Implementing this recommendation will help the Council to further strengthen corporate ownership and assurance for data quality. It is not expected that it will incur significant cost.</p> <p>Council response/update:</p> <p>Briefings have been given to strategy group and key officers on arrangements for third party reporting.</p> <p>Meetings have been held with directors to identify all instances of third party reporting.</p> | January 2008 |
| 10       | <p>R4 Strengthen internal processes for ensuring data quality by:</p> <ul style="list-style-type: none"> <li>revising arrangements for reporting the outcomes of internal reviews so that these inform the end of year completion of the Directorate Assurance Statement;</li> <li>agreeing and implementing a programme of periodic reviews of the security of Performance Plus; and</li> <li>investigating the potential for integrating service-based systems with Performance Plus as part of the data quality strategy, and ensuring that any actions identified by this review are reflected in the implementation plan.</li> </ul> | 2  | Sarah Dobson   | Yes    | <p>Implementing this recommendation will provide the Council with greater assurance of the validity of its data. It is not expected that it will incur significant cost.</p>   | January 2008 |

| Page no. | Recommendation  | Priority<br>1 = Low<br>2 = Med<br>3 = High | Responsibility               | Agreed | Comments  | Date         |
|----------|---|--|------------------------------|--------|---|--------------|
| 10       | <p>R5 Strengthen arrangements for ensuring the quality of data provided by third parties by:</p> <ul style="list-style-type: none"> <li>undertaking a systematic review to identify of all instances of data sharing; and</li> <li>ensuring that the arrangements as set out in the data quality policy (R3) are in place for all instances of data sharing.</li> </ul> | 3  | Sarah Dobson/Directors       | Yes    | <p>Implementing this recommendation will provide the Council with greater assurance of the validity of its data. It is not expected that it will incur significant cost.<br/>Council response/update<br/>All instances of data sharing have been mapped and protocols have been produced for the majority, with ongoing work to produce the remaining instances.</p>  | January 2008 |
| 11       | <p>R6 Put arrangements in place which:</p> <ul style="list-style-type: none"> <li>systematically identify all new starters with responsibility for data quality; and</li> <li>ensure that new starters with responsibility for data quality consistently receive appropriate training within an agreed period of their start date with the Council.</li> </ul>          | 2  | Sarah Dobson                 | Yes    | <p>Implementing this recommendation will enable the Council to provide proper support to all officers with a responsibility for data quality. It is not expected that this will incur significant cost.<br/>Council response/update:<br/>A new dialogue has been developing which identifies new starters with data quality responsibilities. These are then flagged up to policy and performance who then identify training needs.</p> | January 2008 |
| 11       | <p>R7 As part of personal development reviews for staff with specific responsibilities for data quality, include:</p> <ul style="list-style-type: none"> <li>data quality objectives which link to the targets defined in the data quality strategy; and</li> <li>an assessment of progress/performance against these objectives in subsequent reviews.</li> </ul>      | 3  | Sarah Dobson/<br>Rik Sterken | Yes    | <p>Implementing this recommendation will help the Council to further promote corporate ownership of data quality and support the implementation of its data quality strategy. It is not expected that this will incur significant cost.<br/>Council response/update:</p>  | Ongoing      |

| Page no. | Recommendation   | Priority<br>1 = Low<br>2 = Med<br>3 = High | Responsibility            | Agreed | Comments   | Date         |
|----------|--|--|---------------------------|--------|--|--------------|
| 17       | <p>R8 Improve the survey packs issued to Neighbourhood Officers at the start of each BV199 survey period by including:</p> <ul style="list-style-type: none"> <li>• guidance on the number of transects by land-use type they will need to review in their neighbourhoods within that survey period; and</li> <li>• a reminder of the need to ensure an even distribution of reviews throughout the week and to avoid weekends.</li> </ul> | 2  | Chris Sinnott/Simon Clark | Yes    | Implementing this recommendation will help the Council to ensure full compliance with the guidance for this indicator. It is not expected that it will incur significant cost. | January 2008 |

This page is intentionally left blank

**Data Quality Action Plan 2007/08**

| Action  | Responsibility          | Comments | Date     | Status Update  |
|---|-------------------------|----------|----------|--|
| Provide briefings on data quality to Members of the Audit Committee. (R1)   | Sarah Dobson/ Gary Hall |          | Ongoing  | A briefing has been arranged on the 17 <sup>th</sup> January 2008.   |
| <p>To strengthen arrangements for planning and monitoring improvements in data quality:</p> <ul style="list-style-type: none"> <li>• Develop the action plan component of the current data quality strategy as a separate and formal strategy which sets out objectives for improving data quality, agreed in conjunction with services areas and supported by specific targets.</li> <li>• Provide periodic reports on the progress on implementing the strategy to the Audit Committee. (R2)</li> </ul>         | Sarah Dobson/ Gary Hall |          | Ongoing  | Update paper   |
| <p>In revising the data quality strategy develop the policy component as a separate document to provide more detail for service areas on requirements for each stage of data collection, collation and reporting. This should include:</p> <ul style="list-style-type: none"> <li>• Greater clarity on arrangements that need to be put in place for ensuring the quality of data for third parties</li> <li>• The checks and reviews of data validity expected to be undertaken in service areas (R3)</li> </ul> | Sarah Dobson            |          | Jan 2008 | <p>Briefings have been given to strategy group and key officers on arrangements for third party reporting.</p> <p>Meetings have been held with directors to identify all instances of third party reporting.</p> |

## Data Quality Action Plan 2007/08

| Action   | Responsibility            | Comments | Date     | Status Update  |
|--|---------------------------|----------|----------|--|
| <p>Strengthen internal processes for ensuring data quality by:</p> <ul style="list-style-type: none"> <li>• Agreeing and implementing a programme of periodic reviews of the security of Performance Plus.</li> <li>• Investigating the potential for integrating service based systems with Performance Plus as part of the data quality strategy and ensuring that any actions identified by this review are reflected in the implementation plan. (R4)</li> </ul> | Sarah Dobson              |          |          |  |
| <p>Strengthen arrangements for ensuring the quality of data provided by third parties by:</p> <ul style="list-style-type: none"> <li>• Undertaking a systematic review of all instances of data sharing</li> <li>• Ensuring that the arrangements, as set out in the data quality policy, are in place for instances of data sharing. (R5)</li> </ul>  | Sarah Dobson<br>Directors |          | Jan 2008 | All instances of data sharing have been mapped and protocols have been produced for the majority, with ongoing work to produce the remaining instances.                                    |
| <p>Put arrangements in place which</p> <ul style="list-style-type: none"> <li>• Systematically identify all new starters with responsibility for data quality.</li> <li>• Ensure that new starters for data quality consistently receive appropriate training within an agreed period of their start date with the Council.</li> </ul>   | Sarah Dobson              |          |          | A new dialogue has been developing which identifies new starters with data quality responsibilities. These are then flagged up to policy and performance who then identify training needs. |
| <p>As part of personal development reviews for relevant staff, include:</p> <ul style="list-style-type: none"> <li>• Data quality objectives that link to the objectives defined in the data quality strategy</li> <li>• An assessment of progress/performance against these objectives in subsequent reviews. (R7)</li> </ul>   | Sarah Dobson/ Rik Sterken |          |          |  |
| <p>Improve the survey packs issued to Neighbourhood Officers at the start of each BVPI199 survey period by including:</p> <ul style="list-style-type: none"> <li>• Guidance on the number of transects by land use type</li> </ul>   | Chris Sinnott/Simon Clark |          |          |  |



## Data Quality Action Plan 2007/08

| Action  | Responsibility   | Comments | Date     | Status Update |
|---|--|----------|----------|---------------|
| <p>they will have to review in their neighbourhoods within that survey period.</p> <ul style="list-style-type: none"> <li>A reminder of the need to ensure even distribution of reviews throughout the week and avoid weekends.</li> </ul> <p>Develop a two page short guide to the steps to take to ensure good data quality</p> | Sarah Dobson   |          | Jan 2008 |               |
| Undertake data quality spot checks on a quarterly basis   | Directorate Data Quality Leads<br>Sarah Dobson/ Dawn Highton |          | Ongoing  | Ongoing       |
| Revise the data quality strategy  | Sarah Dobson   |          | Jan 2008 | Underway      |
| Develop detailed procedures for all Community and Corporate Strategy Indicators   | Sarah Dobson/ Chris Sinnott/ Claire Thompson/ Directors      |          | Jan 2008 | Underway      |

This page is intentionally left blank



| Report of   | Meeting         | Date     |
|---|-----------------|----------|
| Assistant Chief Executive (Business Transformation) | Audit Committee | 17/01/08 |

**ANNUAL GOVERNANCE STATEMENT - UPDATE**

**PURPOSE OF REPORT**

- 1 To provide the Audit Committee with assurance that the necessary action is being taken to address the "significant governance issues" published in the Annual Governance Statement (AGS), which were identified in the most recent self-assessment of the Council's corporate governance arrangements.

**RECOMMENDATIONS**

- 2 That the contents of the attached appendix / table be noted.

**EXECUTIVE SUMMARY OF REPORT**

- 3 The report explains the requirement upon the Council to conduct a review of its system of governance and to publish an AGS within the annual financial statements. More specifically, the report establishes the action already taken and in progress to address the governance issues identified in the AGS.

**CORPORATE PRIORITIES**

- 4 This report relates to the following Strategic Objectives:

|  |  |   |   |
|--|--|---|---|
| Put Chorley at the heart of regional economic development in the central Lancashire sub region |  | Develop local solutions to climate change                         |   |
| Improving equality of opportunity and life chance  |  | Develop the character and feel of Chorley as a good place to live |   |
| Involving People in their Communities  |  | Ensure Chorley is a performing Organisation                       | ✓ |

**BACKGROUND**

- 5 Since 2003 the Council has had to carry out an annual self-assessment of its system of internal control and publish a Statement on Internal Control (SIC) with the annual accounts.
- 6 CIPFA and SOLACE have recently published guidelines requiring Councils to publish a wider Governance Statement from 2008.

- 7 However the CIPFA SOLACE guidelines were issued in draft in June 2006 and we agreed with the Audit Commission that we would work with the draft guidelines to publish an AGS this year rather than a SIC.

#### **STEPS TAKEN TO COMPILE THE ANNUAL GOVERNANCE STATEMENT**

- 8 We formed an officer group consisting of:

- Director of CD&LS (Monitoring Officer)
- Director of Finance (S151 Officer)
- Director of Policy & Performance
- Audit & Risk Manager

in order to carry out a self-assessment of the Council's system of governance, following CIPFA SOLACE guidance.

- 9 Section 5 of the AGS is the key section as this discloses what the officer group consider to be "significant governance issues".

#### **DIRECTORATE ASSURANCE STATEMENTS**

- 10 As well as the corporate level assessment we have also carried out self-assessments of directorate level compliance with important corporate systems and procedures and produced Directorate Assurance Statements. Any significant non-compliance issues emerging from them have also been disclosed in Section 5 of the AGS.

#### **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

- 11 We have also included any significant issues arising from the annual review of the System of Internal Audit in Section 5 of the AGS.

#### **UPDATE ON ACTION TAKEN**

- 12 The attached table lists all the actions that were required to address the significant governance & control issues that were identified. These have been fed into the Business Improvement Plans of the Directorates concerned.
- 13 The table illustrates the actions that have been taken thus far to address the significant issues identified in the AGS.

#### **IMPLICATIONS OF REPORT**

- 14 The matters raised in the report are cross cutting and impact upon the authority as a whole, rather than specific directorates.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE  
BUSINESS TRANSFORMATION

| <b>Background Papers</b>    |             |                     |                            |
|-----------------------------|-------------|---------------------|----------------------------|
| <b>Document</b>             | <b>Date</b> | <b>File</b>         | <b>Place of Inspection</b> |
| Annual Governance Statement | 2007        | FINANCE DIRECTORATE | UNION ST OFFICES           |

| <b>Report Author</b> | <b>Ext</b> | <b>Date</b> | <b>Doc ID</b> |
|----------------------|------------|-------------|---------------|
| Garry Barclay        | 5468       | 02/01/08    | AGS UPDATE    |

APPENDIX

ANNUAL GOVERNANCE STATEMENT - SECTION 5 - SIGNIFICANT GOVERNANCE ISSUES

|   | <b>Control Areas</b>  | <b>Planned Improvements</b>  | <b>Actions Taken As At December 2007</b>   | <b>Further Actions Required</b>   |
|---|---|--|--|---|
|   | <b>Ethical Governance</b>   |  |  |   |
| 1 | Articulating the Council's shared values regarding personal conduct and behaviour                                   | Capture the Council's values in the Constitution and the Human Resources / Customer Care Strategies    | Strategy Group considered a paper at the beginning of December 2007 to decide on the possible methods for developing core values.                            | The values will be developed early in 2008.                                     |
|   | <b>Decision Making</b>  |  |  |   |
| 2 | Making professional legal advice available well in advance of decision making                                       | Incorporate the comments of the Director of Customer, Democratic & Legal Services in committee reports | Now included in the revised Audit Committee report.  | None.   |
|   | <b>Capacity / Capability of Members &amp; Officers</b>  |  |  |   |
| 3 | Ensuring that the statutory officers have the resources and support necessary to perform effectively in their roles | Address capacity issues in Finance, Legal and Policy Services  | The shared services project with South Ribble BC regarding Finance is now gathering pace and restructuring has taken place within Legal and Policy services. | The Finance shared services project will be implemented more fully during 2008. |
|   | <b>Engaging with Local People &amp; Stakeholders</b>  |  |  |   |
| 4 | Establishing a clear policy on the types of issues the Council will meaningfully consult with stakeholders          | Roll out the improved consultation strategy and review the operation of the Citizens' Panel            | The Citizens' Panel is currently being recruited by NWA, consultants selected to recruit and manage the panel on the Council's behalf.                       | The panel will be fully recruited by January 2008.                              |

|                               |   |  |  |  |
|-------------------------------|---|--|--|--|
| 5                             | Developing and disseminating the Council's vision, strategic plans, priorities and targets          | Roll out the improved communications strategy  | The Council has a number of internal communications channels in place which are well received and in line with best practice. The Council received two awards for internal communications work in 2007.  | None.  |
| <b>Directorate Compliance</b> |   |  |  |  |
| 6                             | Managing partnering arrangements in accordance with the Council's Framework for Partnership Working | Embed the new Framework for Partnership Working including the compilation of joint risk registers for key partnerships           | All the requirements of the new Framework are now in place with the exception of some joint risk registers.  | Joint risk registers will be compiled for the key partnerships where they are still outstanding.   |
| 7                             | Applying the risk management procedure in the corporate project management toolkit                  | Roll out the risk management procedure in the corporate project management toolkit consistently across all key business projects | All project documents including risk registers are checked centrally by performance advisors before being submitted to the relevant project board. The project board holds overall responsibility for the projects and the risk management of them. Risks are monitored continuously throughout the life of the project. | Quarterly checks will be made by performance advisors in line with the performance reporting timetable to ensure that the project toolkit, including the risk management procedure is being correctly applied. |
| 8                             | Ensuring that Directorate Business Continuity Plans are in place                                    | Bring Directorate Business Continuity Plans up to date following organisational restructuring                                    | Updating of plans to reflect the latest organisational changes is currently in process.  | Once drafts are available meetings will be arranged with all directorates to finalise and publish.   |
| 9                             | Complying with corporate Health & safety policies and procedures                                    | Bring health & safety risk assessments up to date and increase staff awareness of the health & safety incident reporting system  | Staff have been advised of these issues via team brief and the intranet. Actual compliance is being monitored through audit & inspection.  | None.  |

|                       |   |  |   |   |
|-----------------------|---|--|---|---|
| 10                    | Achieving value for money in the use of resources   | Embed the new Corporate Value for Money Framework including the application of benchmarking strategies by all directorates | <p>A 3 year VFM review programme has been produced and is now under way starting in the Neighbourhoods Directorate. This will ensure that the Corporate VFM Framework is consistently &amp; rigorously applied.</p> <p>In parallel to this, a dedicated staff resource is now in place to develop benchmarking appropriately in directorates. Nearest neighbours have already been contacted with a view to establishing arrangements where they are currently weak.</p> <p>We are also working very closely with APSE from both a data exchange and consultancy support perspective.</p> | None.                                   |
| 11                    | Maintaining asset registers / inventories in accordance with corporate procedures                                     | Bring Directorate inventories up to date following corporate restructuring   | None.   | To be undertaken as a priority in 2008. |
| <b>Internal Audit</b> |   |  |   |   |
| 12                    | Producing an up to date Internal Audit Strategy for delivering the service to meet the Council's needs and priorities | Produce a formal strategy for the Internal Audit service for Audit Committee approval                                      | Now approved by the Audit Committee.  | None.                                   |





| Report of  | Meeting         | Date     |
|--|-----------------|----------|
| Assistant Chief Executive<br>(Business Transformation) | Audit Committee | 17/01/08 |

**ANTI-FRAUD & CORRUPTION STRATEGY**

**PURPOSE OF THE REPORT**

- 1 To seek the Audit Committee's approval of the revised Anti-Fraud & Corruption Strategy (AFCS).

**RECOMMENDATIONS**

- 2 That the new AFCS is approved

**EXECUTIVE SUMMARY OF REPORT**

- 3 The AFCS has been updated to address recommendations made by the Audit Commission in the Use of Resources assessment and other developments. This report explains the changes that have been made to the AFCS and the reason for them.

**CORPORATE PRIORITIES**

- 4 This report relates to the following strategic objectives:

|  |  |   |   |
|--|--|---|---|
| Put Chorley at the heart of regional economic development in the central Lancashire sub region |  | Develop local solutions to climate change                         |   |
| Improving equality of opportunity and life chance  |  | Develop the character and feel of Chorley as a good place to live |   |
| Involving People in their Communities  |  | Ensure Chorley is a performing Organisation                       | ✓ |

**BACKGROUND**

- 5 The AFCS is not a new document but has been developed and amended over many years in response to new regulations, organisational changes or improvements in accepted best practice.
- 6 It is now timely to "refresh" the AFCS to accommodate a number of developments.

**PURPOSE OF THE ANTI-FRAUD & CORRUPTION STRATEGY**

- 7 The Strategy establishes the Council's determination to ensure that serious concerns are properly raised and addressed. It sets out the Council's specific policies towards the prevention, detection, notification and investigation of fraud and corruption and summarises the responsibilities of members, managers and officers in this respect.
- 8 The Strategy covers all allegations of fraud or corruption committed against the Council whether they are perpetrated by members, officers or the general public; for example benefit fraud.
- 9 It gives specific advice and guidance to officers of the Council who undertake or have an interest in investigations. It aims to clarify the roles and responsibilities of all interested parties, including the Chief Executive, Monitoring Officer, Section 151 Officer, Corporate Director Of Human Resources, other Directors and external agencies including the Police.
- 10 This "refresh" the AFCS accommodates a number of developments, each of which are explained below.

**FRAUD RISK MANAGEMENT**

- 11 In their Use of Resources report the Audit Commission requested the Council to "Further develop proactive counter fraud and corruption work, determined by a formal risk assessment". In response to this a Fraud & Corruption Risk Register has now been compiled which identifies specific fraud risks in individual Directorates. We are now working with Directors to put mitigation strategies in place to minimise the threat of fraud in their service areas.
- 12 We are also aiming to publish regular fraud bulletins on the Intranet to bring any current fraud issues or scams to the attention of staff and provide advice and guidance to raise the overall awareness of fraud generally.

**"WHISTLE-BLOWING"**

- 13 The Council recently launched a Whistle Blowing Policy (WBP), which encourages staff and stakeholders to raise any matter of concern and explains who should be informed in particular circumstances. The WBP gives clear instructions regarding how to report suspected fraud or corruption and as such now forms an important part of the Council's AFCS.

**OTHER ISSUES**

- 14 The AFCS has also been updated to reflect the new corporate organisational structure and changes in responsibility.

**IMPLICATIONS OF REPORT**

- 15 This report has no implications for specific Directorates. The matters raised in the report are cross cutting and impact upon the authority as a whole.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE  
BUSINESS TRANSFORMATION

| <b>Background Papers</b> |             |             |                            |
|--------------------------|-------------|-------------|----------------------------|
| <b>Document</b>          | <b>Date</b> | <b>File</b> | <b>Place of Inspection</b> |
| Whistle Blowing Policy   | 2006        | FINANCE     | UNION ST OFFICES           |

| <b>Report Author</b> | <b>Ext</b> | <b>Date</b> | <b>Doc ID</b> |
|----------------------|------------|-------------|---------------|
| Garry Barclay        | 5468       | 02/01/08    | AF&CS.doc     |

# Chorley Council

## Anti-Fraud & Corruption Strategy

**AUDIT & RISK SERVICE  
FINANCE  
JANUARY 2008**



## **CONTENTS**

### **A. GENERAL PROVISIONS**

1. CORPORATE GOVERNANCE
2. CONTENTS OF THE STRATEGY
3. OTHER CORPORATE PROCEDURES
4. LEGAL COMPLIANCE

### **B. FRAUD PREVENTION & DETECTION STRATEGY**

1. THE ROLE OF MEMBERS
2. THE ROLE OF MANAGEMENT
3. THE ROLE OF EMPLOYEES
4. INTERNAL AUDIT & RISK MANAGEMENT
5. BENEFIT ENQUIRY TEAM
6. EXTERNAL AUDIT
7. DETERRENCE
8. NATIONAL FRAUD INITIATIVE (NFI)
9. HOUSING BENEFIT MATCHING SERVICE (HBMS)
10. NATIONAL ANTI-FRAUD NETWORK (NAFN)
11. NATIONAL BENEFIT FRAUD HOTLINE

### **C. REPORTING ALLEGATIONS / WHISTLE-BLOWING**

1. NORMAL REPORTING LINES
2. ALLEGATIONS AGAINST SENIOR OFFICERS & MEMBERS
3. EXTERNAL REPORTING

### **D. INTERNAL INVESTIGATIONS PROCEDURE**

1. THE PROCEDURE IN OUTLINE
2. INVESTIGATION – OFFICERS
3. INVESTIGATION – MEMBERS
4. RECORD KEEPING / EVIDENCE / CONFIDENTIALITY
5. SURVEILLANCE
6. INVESTIGATORY INTERVIEWS – OFFICERS
7. INVESTIGATORY INTERVIEWS – MEMBERS
8. INVESTIGATORY INTERVIEWS – BENEFIT CLAIMANTS
9. SUSPENSION
10. INVESTIGATION REPORTING – OFFICERS
11. INVESTIGATION REPORTING – MEMBERS
12. INVESTIGATION REPORTING – BENEFIT CLAIMANTS
13. HEARINGS & APPEALS – OFFICERS
14. HEARINGS & APPEALS – MEMBERS
15. HEARINGS & APPEALS – BENEFIT CLAIMANTS
16. LOSS RECOVERY

### **E. APPENDICES**

1. HOUSING / COUNCIL TAX BENEFIT SANCTION & PROSECUTION POLICY
2. CHORLEY BC INTERNAL INVESTIGATIONS PROCEDURE

## **A. GENERAL PROVISIONS**

### **1. CORPORATE GOVERNANCE**

1.1 The Council has, and is continuing to develop a corporate governance framework that seeks to manage risk in order to minimise the incidence of fraud, corruption, and other adverse events within the Authority. Much of the corporate governance framework is actually incorporated within the Constitution of the Council and includes all the following elements:

- Standards Committee
- Overview & Scrutiny Committees
- Regulatory Committees
- Standing Orders
- Financial & Contracts Procedure Rules
- Access to Information Procedure Rules
- Budget & Policy Framework Procedure Rules
- Executive Procedure Rules
- Members & Officers Codes of Conduct
- Protocol on Member / Officer Relations
- Members Allowances Scheme

1.2 In addition to the above constitutional provisions, the Council has in place the following policies and procedures:

- Risk Management Framework
- Disciplinary Procedure
- Monitoring Officer Arrangements
- Registers of Interests
- Registers of Hospitality, Gifts & Entertainment
- IT Security Policy
- Business Improvement Planning Procedures
- Managing Safely Methods
- Local Code of Conduct in Planning Matters
- Housing Benefit and Council Tax Benefit Sanction & Prosecution Policy
- Anti Money Laundering Arrangements
- Data Protection & Freedom of Information Policies and Procedures

### **2. CONTENTS OF THE STRATEGY**

2.1 Inevitably however, breaches of the law, policy or formal procedure do occur. This Strategy has therefore been produced to establish the Council's determination to ensure that serious concerns are properly raised and addressed in full compliance with the Public Interest Disclosure Act 1998.

2.2 The Strategy establishes the Council's specific policies towards the prevention, detection, notification and investigation of fraud and corruption and summarises the responsibilities of members, managers and officers in this respect.

- 2.3 The Strategy covers all allegations of fraud or corruption committed against the Council whether they are perpetrated by members, officers, agency staff, partners, contractors or the general public (benefit fraud).
- 2.4 The Strategy gives specific advice and guidance to officers of the Council who undertake or have an interest in investigations. It aims to clarify the roles and responsibilities of all interested parties, including the Chief Executive, Monitoring Officer, Section 151 Officer, Corporate Director Of Human Resources, Directors and external agencies including the Police. In particular, the Strategy seeks to direct and co-ordinate investigations under the direction of:
- Assistant Chief Executive (Business Improvement) (in accordance with Financial Procedure Rules)
  - Corporate Director Of Human Resources (under the Council's Disciplinary Procedure)
  - Corporate Director of Governance / Monitoring Officer (in accordance with the Local Government Act 2000).

### 3. OTHER CORPORATE PROCEDURES

- 3.1 This Strategy supplements the Council's **Whistle Blowing Policy**, which encourages officers to disclose any matter which gives them cause for concern and provides guidance on how such matters should be reported. The Strategy is also intended to supplement the Council's **Financial Procedure Rules** and **Disciplinary Procedure**, each of which already provide a degree of advice on the conduct of investigations

- 3.2 **Financial Procedure Rules** state that (Chief Officers) shall "notify the Assistant Chief Executive (Business Improvement) immediately of any suspected fraud, theft, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting the Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

In practice, for the purpose of Financial Procedure Rules the Internal Audit Section is usually informed of potential irregularities as the delegated representatives of the Assistant Chief Executive (Business Improvement).

- 3.3 **Disciplinary Procedure.** Whenever an alleged irregularity occurs, this Strategy should always be read in conjunction with the Council's Disciplinary Procedure.

In general, irregularities that do not involve fraud, a breach of Financial Procedure Rules or do not have a direct financial basis will not normally be investigated by the Internal Audit Section (for example breaches of the Council's policies on leave and sickness absence). These will normally be pursued directly by the respective Director under the Disciplinary Procedure.

Where an irregularity does involve fraud or has a financial basis an Internal Audit investigation will normally be undertaken. The Internal Audit investigation and report is used as the basis of (or in support of) the management / disciplinary case, which remains the responsibility of the Director under the arrangements laid down in the Disciplinary Procedure.

In some cases the Assistant Chief Executive (Business Improvement) and Corporate Director Of Human Resources may confer as to how the investigation should proceed.

#### 4. LEGAL COMPLIANCE

- 4.1 The drafting of this Strategy also reflects the need to ensure conformity with the following legal developments:
- 4.2 **Regulation of Investigatory Powers Act (RIPA) 2000.** Any investigations that involve directed surveillance or the use of covert intelligence sources must be undertaken in accordance with RIPA. RIPA was introduced in parallel with the Human Rights Act, which (inter alia) sought to ensure rights to privacy and a fair trial. RIPA makes lawful certain actions by public authorities (Schedule 1) provided that they are properly authorised. In particular, RIPA requires that in each case authority must be given by prescribed persons using designated forms. The use of directed surveillance and covert intelligence sources is not restricted to Internal Audit investigations but extends to benefit fraud investigations, noise nuisance, planning, anti social behaviour and other areas.
- 4.3 **Local Government Act 2000 (Part III).** Under this Act, any allegation made against members of the Council should be referred to the Monitoring Officer for investigation and referral to the Standards Committee and Standards Board for England. This in turn may lead to investigation by an external Ethical Standards Officer. Any such allegations that are brought to the attention of the Assistant Chief Executive (Business Improvement) or Corporate Director Of Human Resources should be referred directly to the Monitoring Officer.



## **B. FRAUD PREVENTION & DETECTION STRATEGY**

### **1. THE ROLE OF MEMBERS**

- 1.1 As elected representatives, all Members of the Council have a duty to the citizens of Chorley to protect the assets of the Council from all forms of abuse. This is done through the formal adoption of the Anti-Fraud & Corruption Strategy and by compliance with the national Code of Conduct for Members.
- 1.2 In addition the Accounts and Audit Regulations 2003 require every local authority to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices". Members have a duty to provide sufficient resources to ensure that the system of internal audit is "adequate" and "effective".

### **2. THE ROLE OF MANAGEMENT**

- 2.1 Management at all levels are responsible for ensuring that their staff are aware of the authority's Financial Procedure Rules and Standing Orders and that the requirements of each are being met. They are also responsible for ensuring that appropriate procedures are in place to safeguard the resources for which they are responsible.
- 2.2 It is vital that managers are alert to potential problems in their work areas and that adequate and effective safeguards are in place to prevent financial irregularities. However, Directors and their managers should also satisfy themselves that checks are in place at the appropriate levels, so that in the event of a breach any irregularity would be picked up promptly, so minimising any loss to the authority. Internal Audit can provide advice and assistance in this area.
- 2.3 Special arrangements may apply where employees are responsible for cash handling or are in charge of systems that generate payments (for example payroll or the housing benefit computer system). Directors and their managers should ensure that adequate and appropriate training is provided for staff and that checks are carried out from time to time to ensure that proper procedures are being followed. Directors and their managers may also wish to consider whether pre-employment checks should be undertaken for some posts.
- 2.4 The references and qualifications of all proposed new employees should be thoroughly checked prior to a position being offered.

### **3. THE ROLE OF EMPLOYEES**

- 3.1 Employees are responsible for ensuring that they follow the instructions given to them by management particularly in relation to the safekeeping of the assets of the authority. They may be required to disclose information about their personal circumstances in accordance with the authority's Financial Procedure Rules and Standing Orders.

#### **4. INTERNAL AUDIT & RISK MANAGEMENT**

- 4.1 The Internal Audit Section plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud. The Section investigates cases of suspected financial irregularity and carries out fraud searching exercises to establish whether irregularities have occurred and to recommend changes in procedures to prevent further losses to the authority. The Internal Audit Section provides advice and assistance to all Directors.
- 4.2 The responsibility for the detection of financial irregularities rests with management. Internal Audit will advise and assist management in fulfilling their responsibility for preventing irregularities and will investigate cases where irregularities are thought to have taken place. There may be circumstances of course, where auditors detect fraud as a result of the work that they are undertaking or as a result of specific fraud searching exercises.
- 4.3 As a new initiative in 2007, in response to advice from the Audit Commission to become more proactive in minimizing the risk of fraud, we have worked with Directors to establish a Corporate Anti-Fraud & Corruption Risk Register. This establishes any significant fraud risks within individual directorates, the mitigation currently in place to offset such risks plus any further action that Directors need to take to manage the risks down to an acceptable level.

#### **5. BENEFIT ENQUIRY TEAM**

- 5.1 The Benefit Enquiry Team play a major role in the deterrence of benefit fraud, for example through the application of the Council's Sanction & Prosecution Policy (Appendix 1).
- 5.2 A further objective is the detection of fraud, by investigating allegations of Housing Benefit and Council Tax Benefit fraud. Both pro-active (specific fraud searching exercises) and re-active investigations (upon receipt of a referral) are carried out.

#### **6. EXTERNAL AUDIT**

- 6.1 Independent external audit is an essential safeguard of the stewardship of public money. This role is delivered through carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity and will act without due delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements in respect of preventing and detecting fraud and irregularities and arrangements designed to limit the opportunity for corrupt practices.

#### **7. DETERRENCE**

- 7.1 Fraud and corruption are serious offences against the authority and employees may face disciplinary action and/or prosecution, benefit claimants may be subject to a sanction or prosecution, if there is sufficient evidence that they have been involved in these activities. This is designed to deter others from committing offences against the authority. Where a case is referred to the Police for criminal proceedings and is subsequently brought to court, any resultant publicity will also act as a deterrent to potential fraudsters.

## **8. NATIONAL FRAUD INITIATIVE (NFI)**

8.1 The National Fraud Initiative (NFI) exercise is organised by the Audit Commission and is usually carried out every 2 years. The Council actively takes part in the initiative as it forms part of a continuous attempt to identify fraud, particularly fraudulent benefit claims. NFI is about matching information contained within the Council's computer systems against information contained within other organisations' systems, for example, payroll, student awards and pensions, the main aims being to identify fraudulent benefit claims, and to detect cases of sub-letting or dual tenancies (council house tenants).

8.2 At Chorley, NFI is co-ordinated by the Internal Audit Section, whose key tasks are:

- ensuring that data is submitted to the Audit Commission on time in the required format;
- performing an initial review of the results;
- liaising with other participating organisations;
- passing any suspected fraudulent cases to the appropriate officers for investigation.

## **9. HOUSING BENEFIT MATCHING SERVICE (HBMS)**

9.1 This data matching exercise is organised by DWP and is carried out monthly. The Council actively takes part in the initiative as it forms part of a continuous attempt to identify benefit fraud. HBMS involves matching information contained within the Council's Academy Benefits system against data of other benefits.

## **10. NATIONAL ANTI-FRAUD NETWORK (NAFN)**

10.1 Membership of the National Anti-Fraud Network (NAFN) is available to all local authorities in England & Wales and exists to provide individual councils with a variety of fraud intelligence and information sharing services. NAFN also has links with a variety of external agencies that supply information in order to prevent and detect fraud. These include the Credit Industry Fraud Avoidance System (CIFAS), the Police, Immigration Service, Contributions Agency, the University & Colleges Admissions Service (UCAS) and some utility companies.

10.2 NAFN is organised into 5 regional areas, Chorley belonging to the Northern Region. The Council's key contacts for the NAFN are the Benefits Enquiry Unit, due the nature of the investigations they undertake.

## **11. NATIONAL BENEFIT FRAUD HOTLINE**

11.1 The National Benefit Fraud Hotline 0800 328 6340 is publicised extensively, including through the Council web site to encourage members of the public to report potential fraudsters, anonymously or otherwise.

## **C. REPORTING ALLEGATIONS / WHISTLE-BLOWING**

### **1. NORMAL REPORTING LINES**

- 1.1 Irregularities regarding the general public, officers, or members may come to light in a variety of circumstances. These include:
- Data-matching (National Fraud Initiative)
  - The results of routine Internal Audit work;
  - Complaints by members of the public or other third parties (e.g. DWP);
  - Whistle-blowing by members of staff;
  - Normal benefit assessment process;
  - Specific fraud searching exercises by both the Internal Audit Section and Benefit Enquiry Unit;
  - Benefit fraud hotline.
- 1.2 Any member of staff who discovers circumstances that may involve an irregularity should normally report the matter to their line manager. Thereafter, line managers should immediately inform their Director.
- 1.3 If the suspected irregularity is in respect of financial transactions or in any matter affecting property, cash, stores, remuneration or allowances, Directors should report the matter to the Assistant Chief Executive (Business Improvement) (in accordance with the Council's Financial Procedure Rules). The Assistant Chief Executive (Business Improvement) will in turn inform the Chief Executive.
- 1.4 If the suspected irregularity is in respect of benefit fraud by a member of the public the matter should be reported to the Benefits Enquiry Unit. If it relates to an Officer it should be reported to the Assistant Chief Executive (Business Improvement), but if it involves a Member the matter should be passed to the Corporate Director of Governance.
- 1.5 In other instances Directors should consult the Corporate Director Of Human Resources as to whether the Disciplinary Procedure should be invoked.
- 1.6 Directors are responsible for managing the discipline of employees in their respective directorates and in most circumstances they will act as "Disciplinary Officer" for the purposes of the Disciplinary Procedure (although this may be delegated to other senior officers). In cases where serious breaches of conduct are suspected the Disciplinary Officer should nominate another officer to carry out an investigation – the "Investigating Officer". In order to ensure independence in this process it may be necessary (for example in smaller service units) for the Director to act as Investigating Officer and another Director to act as Disciplinary Officer. The Council will arrange training for all those who may be required to perform either of these roles.
- 1.7 In cases of alleged financial irregularities, the Investigating Officer will be advised by the Internal Audit Section. This may involve Internal Audit undertaking much of the investigation work and providing the Investigating Officer with a formal report.

**ALLEGATIONS AGAINST SENIOR OFFICERS & MEMBERS**

2.1 It may become necessary to investigate allegations made against senior officers or members. In these cases, if the alleged irregularity involves:

(a) A line manager, the Director should be notified directly.

(b) A Director, the Chief Executive should be notified directly.

(c) The Chief Executive, the incident should be reported in the first instance to the Assistant Chief Executive (Business Improvement), who should inform the Leader of the Council.

(d) An elected member, the incident should be reported to the Monitoring Officer who should in turn inform the Chief Executive and Leader of the Council. The Monitoring Officer should then inform the Chair of the Standards Committee and the Standards Board for England, if the allegation is made in writing.

(e) The Leader of the Council, the Monitoring Officer should inform the Chair of the Standards Committee directly.

2.2 The officers designated below shall perform the functions of Disciplinary Officer and Investigating Officer in the cases of alleged irregularities involving line managers or Directors.

| <b>Officer</b>  | <b>Disciplinary Officer</b>              | <b>Investigating Officer</b>                    |
|---|--|---|
| <b>Line Manager</b>   | <b>Director of the service concerned</b> | <b>Director responsible for another service</b> |
| <b>Director (other than the Corporate Director of Governance)</b> | <b>Chief Executive</b>                   | <b>Director responsible for another service</b> |

2.3 In respect of alleged irregularities involving the Chief Executive or the Corporate Director of Governance or the Assistant Chief Executive (Business Improvement), the allegation shall be considered by an independent person and then by a panel of Members in accordance with their terms and conditions of employment.

2.4 In respect of alleged irregularities involving an elected member, including the Leader of the Council, the matter shall be dealt with in accordance with the procedures for the time being specified by the Standards Board for England and in any regulations made under the Local Government Act 2000.

**3. EXTERNAL REPORTING**

- 3.1 If employees do not have the confidence to raise matters internally, they may choose to contact the Council's External Auditors or the Police. Their respective addresses and telephone numbers are:

**External Audit:**

**Mike Thomas  
Audit Commission  
Aspinall Close  
Middlebrook  
Horwich  
Bolton  
BL6 6QQ  
m-thomas@audit-commission.gov.uk  
(01204) 877300**

**The Police:**

**Chief Inspector Andy Murphy  
Leyland Police Station  
Lancastergate  
Leyland  
(01772) 415974  
andrew.murphy@lancashire.pnn.police.uk**

## D. INTERNAL INVESTIGATIONS PROCEDURE

### 1. THE PROCEDURE IN OUTLINE

- 1.1 To assist those who become involved in investigations, the Council's Internal Investigations Procedure is simplified in the flowchart at Appendix 2 to this Strategy document.
- 1.2 This procedure largely covers investigations into officers and members of the authority. It is however acknowledged that various forms of investigation are undertaken in other areas of Council business, for example housing and council tax benefits, health & safety, planning, environmental services, housing, car parking and corporate complaints. The procedure is designed to support and supplement the separate arrangements that already exist in these areas.

### 2. INVESTIGATION - OFFICERS

- 2.1 Investigations are necessary in order to:

- Find out the facts before taking any form of action;
- Apply appropriate sanctions;
- Eliminate innocent people from unjustified suspicion;
- Improve systems, procedures and controls;
- Recover losses;
- Prevent and deter.

- 2.2 The first stage of any potential investigation is to establish whether the matter under consideration actually constitutes an irregularity (and if so who should investigate). Any irregularity which involves the use of deception to obtain an unjust or illegal financial advantage may be classed as a fraud.

- 2.3 Irregularities fall within the following broad categories, the first three of which are criminal offences: -

- **Theft** – the dishonest taking of property belonging to another, with the intention of permanently depriving the owner of its possession. This may also involve the use of deception.
- **Fraud** – the Fraud Act 2006 introduced a general offence of “fraud” which may be committed in three ways: by making a false representation, by failing to disclose information or by an abuse of position. In each case it is not necessary to prove that an individual has actually gained from their action simply that there was an intention to gain from their behaviour, cause loss or expose the Council to the risk of loss.
- **Bribery and corruption** – involves the offering and acceptance of a reward, for performing an act, or for failing to perform an act, which leads to gain for the person offering the inducement. This could occur in connection with contracts, consultancy engagements, purchasing and appointment of staff.

- **False accounting** – falsification, fraudulent amendment or destruction of documents in order to distort the true nature of a transaction.
- Failure to observe, or breaches of **external regulations** (for example Health and Safety Regulations).
- Failure to observe, or breaches of the **Constitution of the Council** including Standing Orders and Financial Procedure Rules.
- Failure to observe, or breaches of **Council policies and procedures** (especially personnel policies and procedures relating to recruitment & selection, annual leave and sickness absence).
- Failure to observe, or breaches of **departmental procedures**.
- Failure to follow legitimate **management instructions**.

2.4 Whilst the potential for irregularity is present across the full spectrum of activity in any local authority, certain areas are, by their very nature accepted as being of higher risk than others. These areas include:

- Tendering & Award of Contracts;
- Appointing External Consultants;
- Appointing Staff;
- The External, Pecuniary Interests of Members / Officers;
- Hospitality;
- Awarding Licences / Planning Consent / Land Valuations, etc;
- Purchasing.

2.5 Section C of this Strategy document contains guidance as to who should normally undertake investigations in each of the above circumstances. The following paragraphs explain the procedures to be followed in Internal Audit investigations, however the principles apply equally to other investigations, including those under the direction of the Corporate Director Of Human Resources / Disciplinary Procedure.

2.6 Where allegations are reported to the Assistant Chief Executive (Business Improvement), he / she will (in conjunction with the Internal Audit Section) undertake an initial assessment of the circumstances and will recommend whether to:

- (a) Take no further action;
- (b) Refer the matter to the Director;
- (c) Consult with the Corporate Director Of Human Resources;
- (d) Consult with the Police immediately;
- (e) Initiate a preliminary Internal Audit investigation;
- (f) Other (e.g. some combination of the above).

2.7 A designated pro-forma is completed to record the above and passed to the Chief Executive for approval prior to being returned “private & confidential” to the Internal Audit Section.



- 2.8 Where the Assistant Chief Executive (Business Improvement) (in consultation with the Chief Executive) deems that an Internal Audit investigation is necessary, a preliminary investigation should initially be conducted. The appropriate Director would be informed.
- 2.9 The preliminary investigation must be carried out with the utmost confidentiality and as much relevant information as possible should be gathered before alerting or approaching suspected parties.
- 2.10 If the preliminary investigation highlights matters of a minor nature, Directors may be asked to investigate them with ongoing advice and assistance from Internal Audit as necessary. In these instances, Internal Audit should be kept advised as to progress.
- 2.11 If the preliminary investigation highlights matters that Internal Audit consider should not be dealt with by the Director, Internal Audit will carry out the full investigation with management support as necessary. The Corporate Director Of Human Resources would normally be consulted regarding potential disciplinary proceedings.
- 2.12 If the preliminary investigation results in a reasonable suspicion that a criminal offence has taken place, the Police should normally be informed. Whether the Police are contacted at the point it is believed that a criminal offence may have taken place or when the internal investigations are concluded first is a matter for the Assistant Chief Executive (Business Improvement), in consultation with the Chief Executive to decide.
- 2.13 Where an irregularity is reported to the Police at this point and the suspected perpetrator(s) are known, he/she/they should normally be suspended from duty in order to facilitate the forthcoming investigation. It will be for the Assistant Chief Executive (Business Improvement) and Chief Executive to decide (in conjunction with the Corporate Director Of Human Resources) whether to:
- Also invoke the Disciplinary Procedure at this stage, including a separate internal investigation, or;
  - Postpone the start of the Disciplinary Procedure pending the outcome of the Police investigation.
- 2.14 The key issue is to determine whether the finalisation of the Police investigation is essential to progress being made with an internal disciplinary or whether the initial evidence is such that there are firm grounds for invoking the Disciplinary Procedure and Police investigation simultaneously. It should be recognised that the standard of evidence required for a disciplinary offence is on the “balance of probabilities” and is less than that required for a criminal offence which has to be proven “beyond reasonable doubt”.
- 2.15 If it decided to invoke the Disciplinary Procedure and initiate an internal investigation, the Investigation Officer should not necessarily restrict their enquiries solely to the specific allegation(s) made. The premise to be followed is that if a person is alleged to have committed an offence in one sphere of their activities, they may well have committed offences in any other area of their responsibilities where the opportunity arose. Therefore the full extent of possible irregularity should be determined.

- 2.16 With regard to alleged financial irregularities, investigated by Internal Audit, additional information would normally be extracted from the following systems / records:
- (a) Personnel/Payroll - Name, Address, Date Commenced Employment, Current Post, Previous Post, Previous Employers, Annual Leave, Rota/Shift Details, Vehicle, Bank Details, Car Mileage Claims, Additional Allowances, Qualifications, Courses Attended, Sickness Absence Summary, Marital Status, Emergency Contacts.
  - (b) Council Tax - List of Occupants, Forwarding Address, Statement of Account.
  - (c) Register of Electors - List of Occupants.
  - (d) Car Mileage Claim records - If the employee submits car claims, these are obtained from the E-claims system and checked to ensure they are correctly completed.
  - (e) Flexitime records - These would be obtained from the Wintime system and jointly reviewed with managers in order to identify inconsistencies.
  - (f) Telephone Calls - This could be used to establish whether an employee was in contact with an individual/organisation and therefore corroborate or disprove statements made by the employee.
  - (g) Any computerised records where the data protection rules permit the use of the personal data for the prevention and detection of fraud.

### **3. INVESTIGATION – MEMBERS**

- 3.1 The procedure shall be that specified for the time being by the Standards Board for England and in any regulations made under the Local Government Act 2000.

### **4. RECORD KEEPING / EVIDENCE / CONFIDENTIALITY**

- 4.1 When any investigation work is performed a file should be opened and updated on an ongoing basis as the matter is progressed, incorporating the details / results of the enquiries carried out, including all meetings, interviews and telephone discussions. The file should also contain any records, papers, workings or other forms of documentary evidence which may later form the basis of any report that is deemed necessary.
- 4.2 All files or other evidence relating to the investigation should be removed to a secure place and in such a way as to ensure confidentiality. On occasions, it may be appropriate to remove documents, etc. in a way that does not raise the suspicions of the person under investigation if the alleged perpetrator is to be allowed to continue working. In any event, documentary evidence should be collected as soon as possible, since the onset of an investigation may result in its destruction.
- 4.3 Great care must be taken to record detailed, complete and accurate information of the matters reported and results of the investigation. Wherever possible, the original (or prime) documents should be obtained as evidence in preference to copies.

- 4.4 Information held on a computer system may be used as evidence in any subsequent disciplinary or criminal proceedings and should be extracted in printout form, including as part of the printed data, the date and time of its production. In order to comply with Section 69 of the Police & Criminal Evidence Act 1984 a computer printout should be endorsed by a person who was, at the time of its production, responsible for the operation of the computer installation from which it was generated. Such persons should sign and date the following statement:

“I certify that, in respect of this document (Ref No), there are no reasonable grounds for believing that the information is inaccurate because of improper use of the computer by which it was generated, and, that at all material times the computer was operating properly, or if not, that any respect in which it was out of operation was not such as to affect the production of the document or the accuracy of its contents”

Extreme caution must be taken where it is necessary to obtain evidence stored on a PC. No attempt should be made to turn the PC on as this will automatically overwrite chronological and other data files that may be vital in proving the case. Advice must be sought from Internal Audit or ICT staff.

- 4.5 Full security of irregularity records (both manual and computerised) must be maintained at all times.
- 4.6 In general terms, all those engaged in investigation work should maintain secrecy and confidentiality throughout. This is because:
- Allegations / suspicions of fraud may turn out to be unfounded and if secrecy and confidentiality have been maintained this will prevent considerable embarrassment to both the accused officer and the authority.
  - Investigations are of immediate interest to employees, members of the public and the media. Careless talk can generate rumours which quickly obtain wide circulation
  - Where fraud had occurred, breaches of confidentiality could alert the suspect and result in them having an opportunity to cover their tracks or destroy material evidence or otherwise frustrate the investigative process.

## 5. SURVEILLANCE

- 5.1 Any investigations that involve directed surveillance or the use of covert intelligence sources must be undertaken in accordance with the Regulation of Investigatory Powers Act 2000 and Council procedures. The use of directed surveillance and covert intelligence sources is not restricted to Internal Audit investigations but extends to benefit fraud, noise nuisance, planning, anti social behavior and other areas. The key provisions of RIPA are:
- Surveillance must be appropriate for the advancement of the investigation.
  - An application for authorisation for directed surveillance must be made in writing.
  - Authorisation must be given in advance by prescribed persons, formally nominated by the authority for this purpose.
  - Authorisations must be given in writing using designated forms and can only be given on one of the grounds specified in the Act as “for the purposes of preventing or detecting crime or of preventing disorder”.

- Where urgent authorisation is requested, it may be given orally by the authorised officer. A written record of the urgent authorisation must be made.
- Authorised officers have overall responsibility for the management of the investigation and are personally liable for the authorisations that they give.
- Applications should contain sufficient detail to enable the authorised officer(s) to make an objective assessment. The reasons for granting / not granting authorisation should be noted on the application.
- The authorised activity must be reasonable, proportionate and necessary.
- A central record must be maintained of ongoing and completed surveillance operations.
- Authorisations are valid for a period of 3 months only. Designated renewal forms must be completed / authorised if the surveillance is to continue. The authorising officer must question the validity of any surveillance lasting more than 3 months.
- Once surveillance ceases to be necessary, designated cancellation forms should be completed / authorised.

5.2 The Authority's formally agreed list of prescribed persons is as follows:

- Chief Executive
- Corporate Director of Governance
- Assistant Chief Executive (Business Improvement)
- Corporate Director (Neighbourhoods)

5.3 The Corporate Director of Governance (Monitoring Officer) has an overall responsibility to oversee the operation of the system of giving authorisations. The Monitoring officer should also be consulted for advice whenever it is unclear whether RIPA applies to a given situation.

5.4 Copies of the forms issued by the above prescribed persons must be passed to the Monitoring Officer to be retained in a central control register as they may be required as evidence at some future date.

5.5 The following standard forms are in use within the authority:

- RIP1 – Application For Directed Surveillance
- RIP2 – Renewal Form
- RIP3 – Review Form
- RIP4 – Cancellation Form
- Corresponding forms are available for the use of a Covert Human Intelligence Source (CHIS) and are numbered RIP5/6/7/8
- An additional form ACD1 is available for use where it may be necessary to obtain "Communications Data" such as telephone records as part of an investigation.

5.6 Comprehensive information regarding the use of RIPA forms is contained in the Procedural Guidance Notes for staff available on the Loop.

## 6. INVESTIGATORY INTERVIEWS – OFFICERS

- 6.1 During the course of an investigation it is often necessary to question the employee under suspicion in order to establish facts. Under the Council's Disciplinary Procedure, such investigatory interviews are normally conducted by the directorate's nominated "Investigating Officer", but he / she may be assisted by a member of the Internal Audit Section if Internal Audit are involved in the investigation.
- 6.2 Wherever possible, these are arranged with prior notice unless it is felt this could result in the destruction or distortion of evidence. However Internal Audit reserves the right to carry out interviews without notice during the course of an investigation. This is outside the terms of the Disciplinary Procedure.
- 6.3 The employee may also be accompanied at the investigatory interview but where the interview is urgent and of necessity at short notice a lack of accompaniment does not provide sufficient reason for the interviewee not providing the necessary explanations.
- 6.4 Questions should normally be written down in advance or a checklist of the required information prepared.
- 6.5 The time and place of interview should be carefully considered to avoid interruptions and the chance for the interviewee to "invent" his explanation during a break.
- 6.6 The people present should be as few as possible. Under normal circumstances this would be:
- The interviewee
  - His / her representative
  - Investigating Officer
  - Human Resources representative
  - Internal Audit representative (where appropriate)
- 6.7 It should be made clear at the outset what the purpose of the investigatory interview is and that the interviewee's representative may not answer questions on his / her behalf.
- 6.8 A record of the questions asked and detailed notes of the responses received must be made. Recording equipment may also be used. Care should be taken in framing the questions and no action that could be construed as duress by the interviewee must take place.
- 6.9 If the alleged irregularity is of a criminal nature and there is the possibility of criminal charges being laid against an individual, in order for evidence to be admissible in court interviews must be conducted and statements taken in accordance with the procedures laid down in the Police and Criminal Evidence Act (PACE). Whilst investigatory interviews are conducted in a formal manner, they are not intended to satisfy PACE requirements. Therefore should the decision be made to refer the matter to the Police (either before or after the commencement of the internal investigation) the employee under suspicion would be re-interviewed under caution and formal statements taken by them. Formal statements would also be taken from other relevant witnesses, including the Investigation Officer and Internal Audit.
- 6.10 Interviewees should be provided with two copies of the interview transcript, which they should be asked to sign and date (including any suggested amendments) and return one copy to Human Resources.

**7. INVESTIGATORY INTERVIEWS – MEMBERS**

- 7.1 These will be carried out in accordance with regulations (if any) made under Section 66 of the Local Government Act 2000. If no such regulations are in force, the matter will be dealt with in accordance with any provisions specified by the Standards Board for England.

**8. INVESTIGATORY INTERVIEWS – BENEFIT CLAIMANTS**

- 8.1 If a fraud allegation is substantiated and is potentially a prosecution case the interviews will be carried out formally under caution in accordance with PACE.
- 8.2 If a claimant is also in receipt of other benefits the DWP's Benefit Fraud Investigation Service will be contacted to invite them to be involved in the investigatory interview.

**9. SUSPENSION**

- 9.1 At the outset or during the course of an investigation it may become necessary to consider suspending the alleged perpetrator(s) from carrying out their normal duties. Under the Council's Disciplinary Procedure, depending on the circumstances of the case the employee may be:
- Required to remain in their own post on restricted duties.
  - Required to work in any other position within the Council.
  - Suspended from all duties and required to remain away from work.
- 9.2 The Disciplinary Procedure contains guidance on the circumstances under which suspension is appropriate and the process that must be followed.
- 9.3 A key concern for the Investigating Officer is to protect the integrity of any unsecured evidence and to prevent any influence the suspect(s) might bring to bear on associates. If this is considered to be a material threat, the Investigating Officer should recommend suspension to the Chief Officer / Senior Officer concerned (in consultation with the Corporate Director Of Human Resources).
- 9.4 Where the suspension requires an employee to remain away from work, the Investigating Officer should (with possible assistance from Internal Audit or Human Resources officers):
- Escort the employee to his / her workstation.
  - Allow the employee to remove any personal possessions.
  - Ensure that nothing material to the investigation is removed (e.g. diaries).
  - Require the employee to hand over any keys, identity cards or passes.
  - Escort the employee from the premises.

**10. INVESTIGATION REPORTING - OFFICERS**

- 10.1 At the end of the investigation, the Investigating Officer must decide whether there is a case to be answered and therefore if it should proceed to a disciplinary hearing. If it is to proceed, they will produce a written Management Statement of Case in conjunction with Human Resources.
- 10.2 If any or all of the investigation is undertaken by the Internal Audit Section, an interim Internal Audit Report will be produced. This will assist with (but does not constitute) the Management Statement of Case.
- 10.3 The interim Internal Audit Report should contain:
- (a) Full details of the investigation process followed;
  - (b) A summary of the evidence obtained;
  - (c) The potential nature of the offences (if any) committed;
  - (d) Recommendations as to Police referral, invoking the Disciplinary Procedure, or both.
- 10.4 All reports should be factual, impartial and, unless absolutely necessary contain no opinion.
- 10.5 With regard to whistle blowing considerations under the Public Interest Disclosure Act, in certain circumstances the names of witnesses may be deleted in a report and provided in a separate covering sheet. However although protection is guaranteed to witnesses, they cannot (other than in exceptional circumstances) be guaranteed anonymity as they may be required to give oral evidence at a future hearing, appeal, tribunal or in court.
- 10.6 The investigation may also reveal weaknesses in systems, procedures or internal control which need to be rectified for the future. At an appropriate stage, a final Internal Audit Report will be issued to the relevant Director detailing such weaknesses together with corresponding recommendations for corrective action.

**11. INVESTIGATION REPORTING - MEMBERS**

- 11.1 These will be carried out in accordance with regulations (if any) made under Section 66 of the Local Government Act 2000. If no such regulations are in force, the matter will be dealt with in accordance with any provisions specified by the Standards Board for England.

**12. INVESTIGATION REPORTING – BENEFIT CLAIMANTS**

- 12.1 At the conclusion of the investigation a report will be produced, this will be passed to the Benefits Team Leader for the calculation of the overpayment and claim of subsidy, and to the Assistant Benefits Manager to review the case.

**13. HEARINGS & APPEALS – OFFICERS**

- 13.1 The Council's detailed rules on disciplinary hearings and appeals are contained in the Disciplinary Procedure. Where an investigation has been undertaken (partially or wholly) by the Internal Audit Section, Internal Audit may provide the following services:
- (a) Advising management on how they might approach a disciplinary case that is based on the results of an Audit or joint Audit / management investigation.
  - (b) Advising management on how to formulate disciplinary / criminal charges.
  - (c) Advising management on how to put together a disciplinary package of evidence.
  - (d) Attending the disciplinary interview (and possible appeals) as a witness.
- 13.2 Internal Audit only provides evidence to a disciplinary hearing and has no other influence on the Disciplinary Officer's decision.
- 13.3 Where the investigation is into matters of a potentially criminal nature, the Police would normally have been informed at an earlier stage. However, in certain circumstances it may have been decided to proceed with the internal investigation before contacting the Police. Under these circumstances the Investigatory Officer should inform the Assistant Chief Executive (Business Improvement) / Corporate Director Of Human Resources once it becomes clear that a criminal offence has been committed. They would in turn review the issue of Police referral.
- 13.4 In any event, after the internal investigation is completed and if the matter proceeds to a Disciplinary hearing, the Disciplinary Officer should ensure that the Assistant Chief Executive (Business Improvement) / Corporate Director Of Human Resources are informed of any potentially criminal offence. The issue of Police referral is a matter for the Assistant Chief Executive (Business Improvement) and/or Corporate Director Of Human Resources to decide (in conjunction with the Chief Executive).
- 13.5 It should also be borne in mind that where actual losses have occurred, if an insurance claim is to be pursued the matter must first be reported to the Police and a crime number obtained. This number needs to be inserted on actual claim form.

**14. HEARINGS & APPEALS – MEMBERS**

- 14.1 These will be carried out in accordance with regulations (if any) made under Section 66 of the Local Government Act 2000. If no such regulations are in force, the matter will be dealt with in accordance with any provisions specified by the Standards Board for England.

**15. HEARINGS & APPEALS – BENEFIT CLAIMANTS**

- 15.1 These will be undertaken in accordance with the Housing / Council Tax Benefit Sanction & Prosecution Policy (Appendix 1).



**16. LOSS RECOVERY**

- 16.1 Where actual losses have occurred it may be possible to recover them (wholly or in part) via an insurance claim, in which case the Police must first be contacted for a crime number for insertion on the actual claim form.
- 16.2 The Council's policy for recovering uninsured losses from the perpetrators of fraud is to do so in all cases where, having considered all the available evidence the Corporate Director of Governance takes the view that recovery action through the Courts is likely to succeed and also where the Chief Executive considers that such recovery action should be taken.
- 16.3 Appendix 1 contains directions in respect of the recovery of overpaid benefits.

**SANCTION AND PROSECUTION POLICY**  
**HOUSING BENEFIT & COUNCIL TAX BENEFIT**

In line with the Council's Anti-Fraud Strategy, Chorley Council is committed to fighting fraud.

In considering prosecution or other sanction under this policy, the Council will take into account all relevant legislation including the Human Rights Act 1998.

**General**

The Council appreciates that each case is unique and must be considered on its own merits. However the general principles set out below will be applied in all appropriate cases. In reaching a decision as to whether a case is appropriate for prosecution, two important criteria should be borne in mind.

1. That there is sufficient admissible evidence to justify prosecution
2. That the prosecution of that case would be in the public interest.

Every case where the evidence is such that it may be prosecuted must still be tested to see whether it is in the public interest to do so.

The Council will use various means to conduct the prosecution in appropriate cases.

These will include: -

- a) The Council's own Legal Department
- b) Lancashire Police
- c) DWP Solicitors Branch in joint LA/BA cases.
- d) Agency Solicitors

(All the above bodies will make reference to "The Code for Crown Prosecutors" produced by the Crown Prosecution Service)

In line with the policy adopted by the Department for Work and Pensions and to ensure consistency in the prosecution process, the following guidelines will apply.

**Local Authority Caution**

Providing an offence has been committed, there is no lower overpayment limit for prosecution purposes in caution cases. This means that a caution can be considered where the offence has been an attempted fraud.

In cases where the overpayment is less than £2,000 (including other benefits if the case is a joint LA/DWP case) and where evidence indicates

- The person has not offended before, or
- The person has previously committed benefit fraud, but the offence was minor and not subject to a caution or prosecution and the current offence is minor; or
- The person has previously been cautioned within the last 5 years for a similar offence but the offence was minor and the current offence is minor; and
- There was planning involved in the process, or
- There were other persons involved in the fraud, and
- The person's circumstances and demeanour towards the offence indicates that a caution would be the appropriate action.

Then the Council will, in most circumstances issue an official Local Authority Caution (see Appendix 1 for conditions applicable to Local Authority Cautions) in addition to requiring full repayment of the overpayment.

### **Administrative Penalties**

If the total overpayment (including other benefits if the case is a joint LA/BA case) is more than £50 and less than £2000.00 and where the evidence indicates

- It was a first offence
- There was no planning involved, and
- There was no other person involved, and
- The person's circumstances and demeanour towards the offence indicates that an administrative penalty would be the most appropriate action.

Then the Council will, in most circumstances, make an offer of a 30% Administrative Penalty in addition to requiring full repayment of the overpayment. (See Appendix 2 for conditions applicable to Administrative Penalties.)

### **Prosecutions**

If the total overpayment (including other benefits if the case is a joint LA.BA case) is below £2,000.00 and where the evidence indicates

- It was not a first offence, or
- The fraud had been deliberate and calculated, or
- The fraud had continued over a long period; or
- The person has failed to attend an interview under caution; or
- There were other persons involved in the fraud, or
- The person has declined the offer of an Administrative Penalty or withdrawn agreement to pay and Administrative Penalty; or
- The person has declined the offer of an official caution

Then the Council will, in most circumstances, prosecute.

If the total overpayment (including other benefits if the case is a joint LA/BA case) is over £2,000 prosecution will be considered at the outset.

### **Other Factors**

Other factors will be taken into consideration before *prosecution* is recommended.

#### 1. Duration of the Offence

An offence committed over a long period of time should be a factor towards prosecution. The claimant may have had opportunity to declare the correct information when the claim was renewed.

#### 2. Previous Offences

The Council must make enquiries about any previous offences of a similar nature, committed by the offender. If the offender has already been cautioned for deception, a second caution issued by the Council may not be appropriate.

#### 3. Trust

Was the offender in a position of trust? E.g. a member of staff or a Councillor?

#### 4. Collusion

Has the case arisen through collusion e.g. with landlords, managing agents or employers etc? This type of case is considered to amount to serious fraud and should be recommended for prosecution where possible irrespective of the amount of overpayment involved.

#### 5. Offenders Physical and Mental Condition

It would be *inadvisable* to prosecute in the following cases: -

- a) Where the offender is seriously ill
- b) Where the offender is mentally ill
- c) Where the offender is a heavily pregnant (within 3 months of confinement)
- d) Where the offender is over 75 years of age or bedridden
- e) Where the offender is deaf or visually impaired
- f) Where the health of the offender's partner may suffer. This will only apply where the partner suffers from a condition that would be made worse if proceedings were taken.

#### 6. Social Factors

Consideration must be given to social factors when deciding whether or not to recommend prosecution. Instances in which prosecution may be considered inappropriate include cases where:

-

- a) The Court would set against the offence such personal or mitigating factors that would make prosecution inappropriate e.g. the person was driven to the offence by a tragedy or domestic situation such as bereavement or sickness.
- b) The offender has already served a prison sentence for benefit fraud and an earlier offence has subsequently been discovered (it is the Court's view that people come out of prison with a 'clean sheet')
- c) The claimant is young (under 21), immature and would appear to the Court as someone who could have been dealt with effectively without proceeding. Youth does not automatically exclude the possibility of prosecution. Prosecution may be desirable where the offender already has a criminal record.
- d) It is known that a prosecution would have a damaging effect upon the defendant's career or employment i.e. the offender would not only lose their job but would not be able to get similar employment if prosecuted successfully by the Local Authority.

#### 7. Voluntary Disclosure

Voluntary disclosure is where a claimant of his or her own free will reveals a fraud. In this case prosecution would not be appropriate. However, a disclosure is not voluntary if: -

- a) the admission is not a complete disclosure of the fraud
- b) It was apparently prompted by the expectation that the fraud would be discovered e.g. they knew the Council was making enquiries of their employer etc
- c) The claimant admits all the facts as soon as they are challenged
- d) The claimant discloses the fraud as a result of being required to complete a review form.

In all the above cases prosecution should be considered in the normal way.

#### 8. Procedural Difficulties/Delays/Failures in the Investigation/Administrative Process

Closure of the case, without prosecution will be the only course of action where: -

- a) The investigation has been deficient and has failed to obtain all the evidence available
- b) Internal checks which should have revealed the offence did not do so e.g. benefit paid on incomplete or inadequate information, failure to observe flaws in a statement or document.

## **Decision-Making Process Under This Policy**

### **Where Chorley Council are the 'lead' in the investigation**

The recommendation to apply any sanction, including prosecution will be made, in the first instance, by the Compliance Manager, or in his/her absence the Investigator after consultation with the Revenues and Benefits Manager.

Where the case involves offences concerning benefits other than Housing and Council Tax Benefits, agreement will be sought from the DWP Sector Fraud Manager to the proposed action before submitting the recommendation.

All recommendations will be in the form of a written report and will include the following:

- Amount overpaid
- Period of overpayment
- Summary of the investigation and its findings
- Details of previous convictions, penalties or cautions
- Reasons for recommendation
- Recommended action

Any report will be accompanied by sufficient evidence and information obtained during the investigation including the investigator's report and either a transcript of the interview under caution or contemporaneous notes taken during the interview under caution.

Where the recommendation is that a Local Authority Caution or Administrative Penalty be offered, authorisation will be sought and given by the Revenues and Benefits Manager.

Where the recommendation is that criminal proceedings should be commenced, authorisation will be sought and given by the Assistant Chief Executive (Business Improvement).

### **Where Department for Work and Pensions is the 'lead' in the investigation**

On receipt of the DWP Sector Fraud Manager's recommendation (FPA5) the Compliance Manager shall decide to whether the Council should participate in the action proposed.

### **All cases**

Legal advice or opinion must be obtained where there is any doubt or uncertainty of a course of action to be taken under this policy.

### **Conclusion**

It is essential that each case is treated on its own merit and any decision taken under this policy is fair and consistent.

The decision to prosecute an individual is a serious step. Fair and effective use of the sanction and prosecution policy is essential to the maintenance of law and order and in the deterrence of benefit fraud. However even in a minor case, a prosecution have serious implications for all involved.

In exceptional circumstances, an alternative to prosecution (caution or administrative penalty) may be considered without regard to the amount of the overpayment. The reasons for the recommendation to deviate from the policy must be explained in full to the Director of Finance.

All sanctions and prosecutions will be subject to a monitoring process.

## LOCAL AUTHORITY FORMAL CAUTIONS

A formal caution is an oral warning given in certain circumstances (as described in the Sanction and Prosecution Policy) to a person who has committed an offence.

In any case selected for the issue of a caution, there must be evidence to prove the offence, an admission at an Interview Under Caution and the person being cautioned must give his/her informed consent for the procedure.

Where a person declines a caution, the case should then be recommended for prosecution in the normal way. It is expected that most people who are offered a caution will accept it in preference to being prosecuted.

A formal Caution is a deterrent and does not affect the recipient, unless by re-offending, he/she is prosecuted for a subsequent offence.

It is important to ensure that Cautions are administered and seen to be administered by Senior Officers to prevent their use being devalued in the eyes of the public when compared with Cautions issued by other prosecuting authorities, including the Police.

A Certificate of Caution must be completed detailing the offences committed and the following points made clear to the person at the outset:-

- a) The significance of the Caution itself
- b) That a record will be kept of the Caution for 5 years
- c) That the existence of a previous Caution may influence the decision whether or not to prosecute if the person should offend again
- d) That the Caution may be cited if the person should subsequently be found guilty of a different offence by a Court
- e) That the Caution is being issued instead of their case being passed to the prosecution authorities to consider instituting criminal proceedings
- f) That the Caution is not a criminal conviction

The person agreeing to this course of action must sign a Certificate of Caution. The Cautioning Officer will endorse the certificate and issue a copy. A further copy will be issued to the Professional Standards Unit of DWP. The certificate will contain a reminder that the fact that they have been Cautioned will count against them and the Caution may be cited if they are convicted by a court in future for a different offence.

## ADMINISTRATIVE PENALTIES

An administrative penalty is a financial penalty which can be offered to a person who, the Authority believes, has caused benefit to be overpaid to them by a deliberate act or omission on their part and there are grounds for instituting proceedings against them for a criminal offence relating to the overpayment.

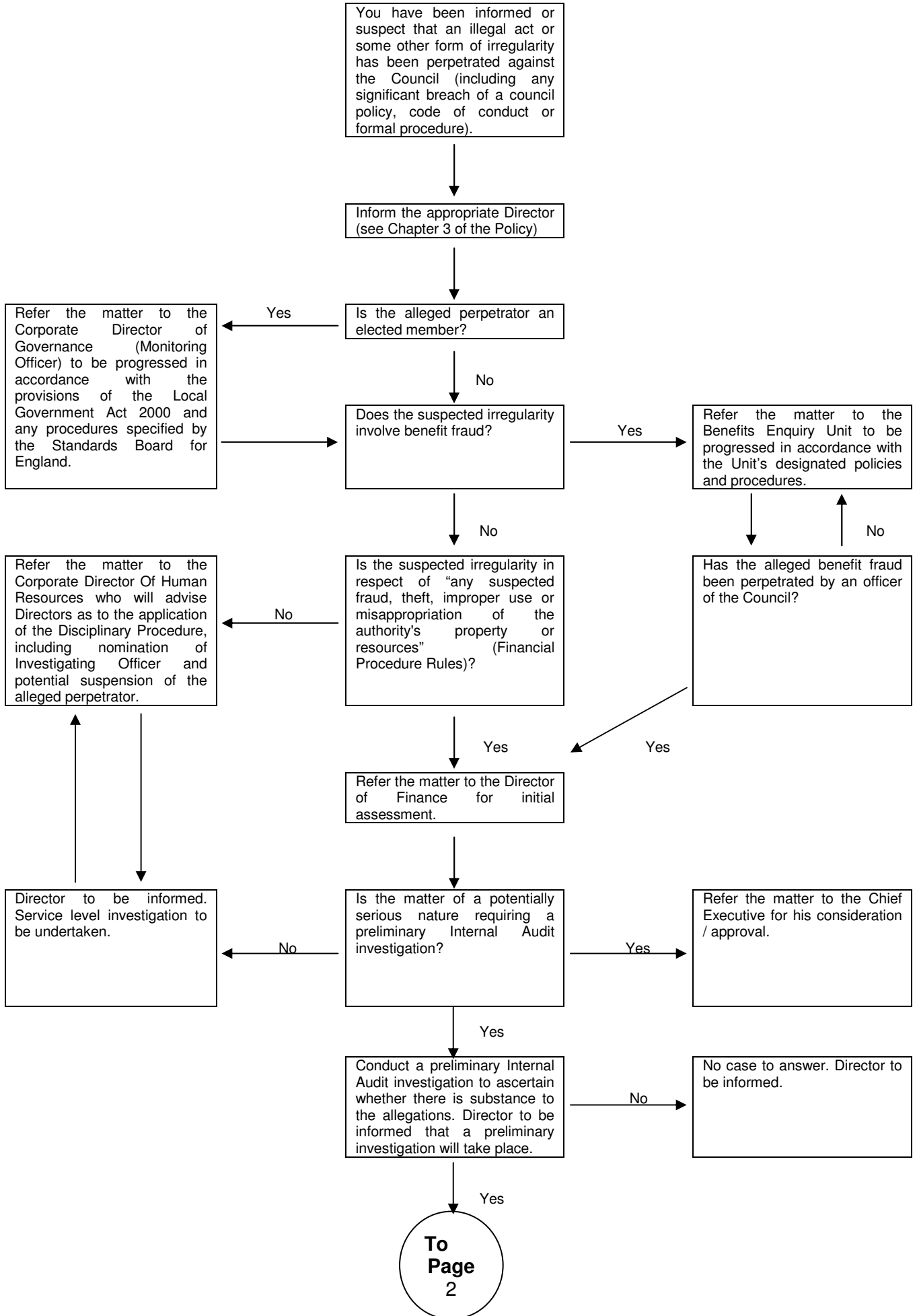
Legislation lays down the circumstances in which a penalty can be offered and how the penalty is calculated. The legislation:-

1. Is contained in Section 115A of the Social Security Administration Act 1992
2. Was introduced under the Social Security Administration (Fraud) Act 1997; and
3. Came into force on the 18<sup>th</sup> December 1997.

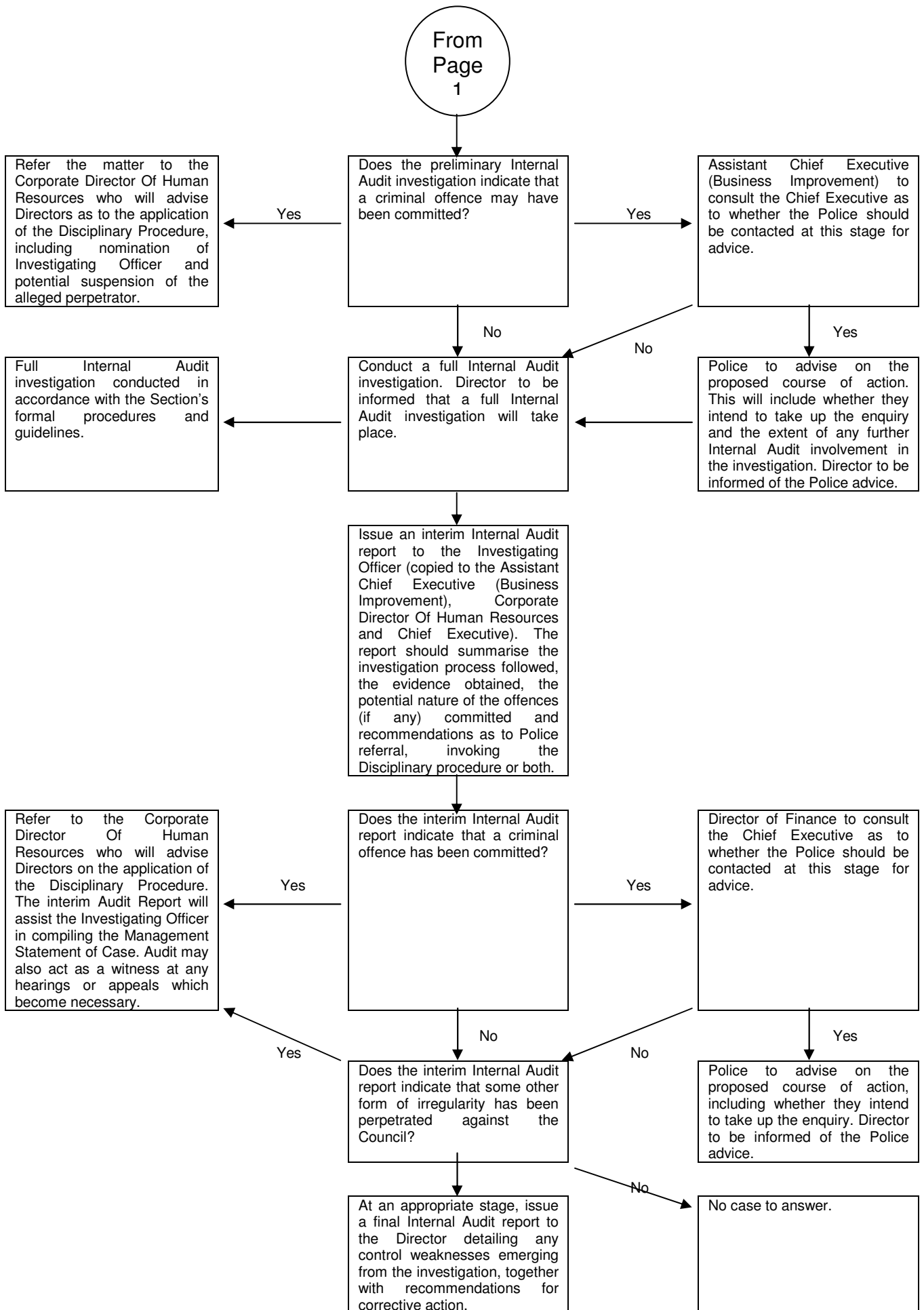
The following requirements are mandatory :-

- Offer of a penalty can only be made where the overpayment is recoverable from a person under, or by virtue of Section 75 or 76 of the Social Security Administration Act 1992, and the making of the overpayment was attributable to an act or omission on the part of the person; there must be grounds for instituting criminal proceedings against the person for an offence relating to the overpayment upon which the penalty is based.
- A penalty can only be offered to a person in respect of an overpayment or any part of thereof that has accrued after the commencement date of 18<sup>th</sup> December 1997.
- If a person agrees to pay a penalty, criminal proceedings cannot be instituted against them in respect of the overpayment on which the penalty is based.
- The amount of the penalty must be calculated at 30% of the amount of the recoverable overpayment (rounded down to the whole penny)
- Once a penalty offer has been accepted, the person may withdraw from the agreement at any time during the period of 28 calendar days beginning with the day on which the agreement was reached
- Where a person agrees to pay a penalty, and the overpayment on which the penalty is based is subsequently revised, then the agreement to pay a penalty no longer applies. Any penalty that has already been recovered must be repaid. However, if a new agreement is made based on the revised overpayment, the amount already recovered by way of a penalty may be treated as recovered under the terms of the new agreement instead of being repaid.
- Where a person declines a penalty, the case should then be recommended for prosecution in the normal way.

**APPENDIX 2 - CHORLEY BC INTERNAL INVESTIGATIONS PROCEDURE**







This page is intentionally left blank



| Report of   | Meeting         | Date     |
|---|-----------------|----------|
| Assistant Chief Executive (Business Transformation) | Audit Committee | 17/01/08 |

**INTERIM REPORT ON INTERNAL AUDIT ACTIVITIES AS AT 30<sup>th</sup> DECEMBER 2007**

**PURPOSE OF THE REPORT**

- 1 To advise members of the work undertaken in respect of the Annual Internal Audit Plan during the third quarter of 2007/8 and to comment on the results.
- 2 To provide details of other Internal Audit activities during the period.

**RECOMMENDATIONS**

- 3 That the Interim Report be noted.

**CORPORATE PRIORITIES**

- 4 This report relates to the following Strategic Objectives:

|  |  |   |   |
|--|--|---|---|
| Put Chorley at the heart of regional economic development in the central Lancashire sub region |  | Develop local solutions to climate change                         |   |
| Improving equality of opportunity and life chance  |  | Develop the character and feel of Chorley as a good place to live |   |
| Involving People in their Communities  |  | Ensure Chorley is a performing Organisation                       | ✓ |

**BACKGROUND**

- 5 This is the second Interim Progress Report for the current financial year and covers the period between 14<sup>th</sup> September and 30<sup>th</sup> December 2007.
- 6 Appendix 1 to this report shows the overall progress made in relation to the 2007/8 Internal Audit Plan. The Audit Plan is firmly on course to be delivered and the remaining paragraphs summarise the main elements of the work undertaken during the last quarter.

**CORPORATE GOVERNANCE**

**Use of Resources**

- 7 We have contributed to the reassessment process for 2007 resulting in a maximum score of 4 corporately, including individual scores of 4 and 3 for Risk Management and Internal Control respectively. The Audit Commission has reported more fully on this item earlier in the agenda.

## Corporate Policies & Procedures

- 8 In order to help officers understand and implement the wide range of policies, frameworks, strategies, procedures and protocols which are generated at the corporate core, we have worked with Directors and the Communications Team to introduce an e-enabled Guide on the Loop, which lists and explains the key policies in a user-friendly manner.
- 9 The content has now been agreed and the Communications Team are currently finalising the format and promotional aspects of the Guide.

## ANTI-FRAUD & CORRUPTION

### National Fraud Initiative (NFI)

- 10 As members are aware, this exercise is organised by the Audit Commission every 2 years or so and is about comparing the information contained within the Council's computer systems with that contained within other organisations' systems to identify potentially fraudulent activity for further investigation. The Internal Audit Service co-ordinate matters on behalf of the Authority.
- 11 In terms of the current exercise the Commission supplied the Council with 36 reports containing 2447 data matches. A good example of a data match is where someone appears on the Council's payroll and is also a benefit claimant. Data matches don't necessarily indicate fraud and indeed previous experience has shown that only 1% - 2% of data matches result in proven fraud cases. The objective of data match reports however is to highlight potential fraud situations that warrant further enquiry and investigation.
- 12 Of the 36 separate reports provided by the Audit Commission, 30 (83%) have now been examined, resulting in 31 data matches that warranted further investigation. Two benefit frauds and four duplicate payments have been confirmed so far comprising a total value/saving as follows:
- |   |                    |           |
|---|--------------------|-----------|
| • | Benefits           | £3823.00  |
| • | Duplicate payments | £6616.54  |
|   | Total              | £10439.54 |
- 13 The other 25 data matches are still under investigation.
- 14 The remaining 6 reports supplied by the Audit Commission will be examined during January and a report summarising the overall outcome from the exercise will be submitted at a future meeting. We are however already able to give assurance that the control procedures in place within the Benefits and Creditor Payment systems are robust, given the small number of items under investigation.
- 15 Following a highly successful pilot project the Audit Commission has recently introduced an extension to the NFI exercise involving the matching of Council Tax Single Person Discount records against the Electoral Register. Counsel's opinion in favour of this extension has recently been provided following some considerable debate nationally over its legality. We are now in the process of submitting the necessary data to the Audit Commission with a view to receiving the results in March and we are working with the Communications Team to provide the general public with adequate notice and information about this aspect of the NFI.

**Fraud Risk Register**

- 16 We have been working with Directors to identify specific fraud risks within the Council's operational activities and to record these in a Fraud Risk Register. From this a Fraud Management Plan has now been developed containing 110 individual measures to mitigate risk exposures to an acceptable level and will aim to address:
- Corporate risks, such as the control and collection of income, control of assets, low value procurement, and a variety of ICT issues including the use of Internet and e-mail, control over data, network hacking and compliance with licence agreements.
  - Directorate specific risks, the most significant of which include control over fuel issues and vehicle disposals.
- 17 The majority of the measures will be implemented by specific managers within Directorates and we are now in the process of formally agreeing the actions to be taken. In some cases the measures have already been completed or are in progress. A number of actions are also being integrated into ongoing audit work, including the issue of fraud bulletins to staff and the use of targeted data interrogations.

**REVIEW OF FINANCIAL SYSTEMS****Charging Policies**

- 18 The purpose of this audit was to ascertain whether the Council is utilising all its income generating opportunities and is optimising its income levels from established income generating areas. We reviewed all the charges where the Council has the discretion to vary the rates currently applied and there is at least some scope to do so.
- 19 Our report provided options for increasing charges, the potential value of such increases and contextual information in terms of justification and / or risk. In order to arrive at the various options we compared all of Chorley's fees with those of 3 other authorities within the North West (Preston, Blackburn and Allerdale councils) and explored new ideas with the managers concerned.
- 20 We identified that an aggregate increase of £200,000 (inclusive of inflation) would be achievable in 2008/9 with minimal risk implications.

**REVIEW OF KEY OPERATIONS****Planning System**

- 21 As the Local Planning Authority the Council has a statutory duty to ensure that the planning system is operated in accordance with relevant legislation. The purpose of this audit was to review the adequacy of planning procedures generally and more specifically those relating to two main functions of the service, which are Development Control and Building Control.
- 22 We found that the overall arrangements in place provide sound compliance with current legislation and relevant Council policies and that comprehensive procedural guidance is in place to provide a fair and consistent approach to the processing of applications and appeals. This is supported by a framework of underlying controls ranging from robust income collection, monitoring and fee setting arrangements and the provision of accurate and timely planning information on the Web site to effective Development Control Committee Member training.

- 23 As might be expected from a system of this scale some areas were identified where improvements to procedures could be made to improve the level of control and we made recommendations relating to the processing and recording of applications and income, the processing of complaints and the disclosure of interests by staff.

### Land Charges

- 24 The Council has a statutory duty to maintain a “Local Land Charges Register” to record essential information about any conditions or charges that relate to land and property within the Borough. This information is of particular interest to the general public when they make decisions about the potential purchase of land or property.
- 25 The purpose of the review was to seek assurance that key systems for the control and operation of the register, the administration and processing of land search applications and the receipt and control of payments which provide the foundation for the service are operating effectively.
- 26 We found that in general those systems and procedures are sound although recommendations were made to address a number of low level operational and administrative issues. However we did note that the contract for the supply and maintenance of the Land Charges computer application, hardware and system support lapsed over 2 years ago. This could expose the Council to significant financial and reputational risk in the event of the failure of the computer system, which forms the backbone of the service. In view of this we were only able to provide a limited controls assurance rating.

### IMPLICATIONS OF REPORT

- 27 This report has no implications for specific Directorates. The matters raised in the report are cross cutting and impact upon the authority as a whole.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE  
BUSINESS TRANSFORMATION

| <b>Background Papers</b>                                      |             |                        |                            |
|---|-------------|------------------------|----------------------------|
| <b>Document</b>   | <b>Date</b> | <b>File</b>            | <b>Place of Inspection</b> |
| CIPFA Code of Practice for Internal Audit in Local Government | 2006        | FINANCE<br>DIRECTORATE | Union Street Offices       |
| Accounts & Audit (Amendment) (England) Regulations            | 2006        |                        |                            |

| <b>Report Author</b>            | <b>Ext</b>   | <b>Date</b> | <b>Doc ID</b> |
|---------------------------------|--------------|-------------|---------------|
| Garry Barclay<br>Andy Armstrong | 5468<br>5465 | 04/01/08    | 170108.doc    |

**INTERNAL AUDIT WORK PLAN 2007/8 - SUMMARY PROGRESS REPORT**

| Audit Area                                  | Qtr | Est        | Actual     | Balance    | Status                        |
|---|-----|------------|------------|------------|-------------------------------|
|   | Due | Days       | Days       | (+/-)      |                               |
| <b>CORPORATE GOVERNANCE</b>                 |     |            |            |            |                               |
| Corporate Policies & Procedures             | 3   | 30         | 35         | -5         | WIP to finalise roll-out      |
| Governance Assurance Statements             | 1   | 20         | 12         | 8          | Completed for 2006/7          |
| External Inspection (CPA, Use of Resources) | ALL | 20         | 19         | 1          | Completed for 2007. 2008 WIP. |
| Best Value Performance Indicators (BVPI's)  | 1&2 | 25         | 44         | -19        | Completed for 2006/7          |
| Governance General                          | ALL | 5          | 9          | -4         |                               |
|   |     | <b>100</b> | <b>119</b> | <b>-19</b> |                               |
| <b>RISK MANAGEMENT</b>                      |     |            |            |            |                               |
| Risk Management Policies & Procedures       | 1   | 10         | 8          | 2          | New RM Framework produced     |
| Risk Registers                              | 1   | 20         | 10         | 10         | WIP to further update SRR     |
| Health & Safety                             | ALL | 25         | 20         | 5          | Ongoing                       |
| Insurance                                   | ALL | 25         | 18         | 7          | Ongoing                       |
| Risk Management General                     | ALL | 5          | 3          | 2          |                               |
|   |     | <b>85</b>  | <b>59</b>  | <b>26</b>  |                               |
| <b>ANTI-FRAUD &amp; CORRUPTION</b>          |     |            |            |            |                               |
| National Fraud Initiative (NFI)             | ALL | 25         | 25         | 0          | Final submissions in progress |
| System Interrogations                       | ALL | 25         | 0          | 25         | 4th quarter                   |
| Fraud Risk Register                         | ALL | 20         | 13         | 7          | FRR compiled. Action WIP.     |
| Fraud Bulletins                             | ALL | 15         | 1          | 14         | 4th quarter                   |
| Anti-Fraud & Corruption General             | ALL | 5          | 3          | 2          |                               |
|   |     | <b>90</b>  | <b>42</b>  | <b>48</b>  |                               |
| <b>REVIEW OF KEY BUSINESS SYSTEMS</b>       |     |            |            |            |                               |
| Strategy Development                        | 4   | 20         | 0          | 20         | 4th quarter                   |
| Codes of Conduct / Registers of Disclosures | 2   | 20         | 23         | -3         | Report issued                 |
|   |     | <b>40</b>  | <b>23</b>  | <b>17</b>  |                               |
| <b>REVIEW OF FINANCIAL SYSTEMS</b>          |     |            |            |            |                               |
| Key Systems Review (ISA)                    | 1&4 | 70         | 25         | 45         | Completed for 2007. 2008 WIP. |
| Charging Policies                           | 2   | 30         | 34         | -4         | Completed.                    |
| Control of Cash                             | 3   | 25         | 12         | 13         | WIP                           |
|   |     | <b>125</b> | <b>71</b>  | <b>54</b>  |                               |
| <b>REVIEW OF KEY OPERATIONS</b>             |     |            |            |            |                               |
| Members Allowances                          | 2   | 15         | 16         | -1         | Report issued                 |
| Licensing                                   | 4   | 15         | 0          | 15         | 4th quarter                   |
| Land Charges                                | 3   | 15         | 13         | 2          | Draft report issued           |
| Planning                                    | 3   | 20         | 20         | 0          | Draft report issued           |
| Improvement Grants                          | 4   | 20         | 0          | 20         | 4th quarter                   |
|   |     | <b>85</b>  | <b>49</b>  | <b>36</b>  |                               |
| <b>CONTINGENCY</b>                          |     |            |            |            |                               |
| Irregularity Investigations                 | ALL | 30         | 2          | 28         | Ongoing                       |
| Post Audit Reviews                          | ALL | 20         | 7          | 13         | Ongoing                       |
| Unplanned Reviews                           | ALL | 25         | 18         | 7          | Ongoing                       |
| Audit Committee Reporting                   | ALL | 20         | 18         | 2          | Ongoing                       |
|   |     | <b>95</b>  | <b>45</b>  | <b>50</b>  |                               |
|   |     |            |            |            |                               |
| <b>TOTAL CHARGEABLE DAYS</b>                |     | <b>620</b> | <b>408</b> | <b>212</b> |                               |
|   |     |            |            |            |                               |
|   |     |            |            |            |                               |

This page is intentionally left blank