

AUDIT PANEL

Day: Tuesday
Date: 1 March 2016
Time: 2.00 pm
Place: Lesser Hall - Dukinfield Town Hall

Item No.	AGENDA	Page No
1.	APOLOGIES FOR ABSENCE To receive any apologies for the meeting from Members of the Panel.	
2.	DECLARATIONS OF INTEREST To receive any declarations of interest from Members of the Panel.	
3.	MINUTES The Minutes of the meeting of the Audit Panel held on 3 November 2015 to be signed by the Chair as a correct record (Minutes attached).	1 - 4
4.	GRANT CERTIFICATION REPORT To consider a report of the Assistant Executive Director (Finance).	5 - 10
5.	PROGRESS REPORT ON RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES APRIL TO JANUARY 2016 To consider a report of the Assistant Executive Director (Finance).	11 - 22
6.	NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES To consider a report of the Assistant Executive Director (Finance).	23 - 32
7.	CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY - FRAUD AND CORRUPTION TRACKER To consider a report of the Assistant Executive Director (Finance).	33 - 92
8.	CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY - FRAUD AND CORRUPTION TRACKER To consider a report of the Assistant Executive Director (Finance).	93 - 114
9.	ASHTON CENTRAL MOSQUE (FORMERLY MARKAZI JAMIA MOSQUE) UPDATE To consider a report of the Assistant Executive Director Environmental Services.	115 - 118

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10. URGENT ITEMS

To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.

AUDIT PANEL

3 November 2015

Commenced: 2.00pm

Terminated: 2.35pm

Present: Councillor Ricci (Chair)

Councillors Fairfoull, I Miah, Peet, Welsh and Buckley

**Apologies
for absence:** Councillors J Fitzpatrick and Bailey

10. DECLARATIONS OF INTEREST

There were no declarations of interest to report at this meeting.

11. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel held on 26 May 2015 having been circulated, were signed as a correct record.

12. PROGRESS REPORT ON RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES APRIL TO SEPTEMBER 2015

Consideration was given to a report of the Assistant Executive Director (Finance) and Head of Risk Management and Audit Services detailing the work undertaken by the Risk Management and Internal Audit Service between April to September 2015.

The following areas of work undertaken by Risk Management and Audit were reported as follows:-

Risk management – the approved priorities for 2015/16 were detailed as follows:

- To deliver Risk Workshops for managers from summer onward to enable risk registers to be updated in response to the 'Decant' from TAC;
- To facilitate the continued implementation of the Information Governance Framework by:-
 - Providing advice and guidance in relation to the retention and disposal of information as a priority as part of the 'Big Tac Tidy Up';
 - Keeping the framework up to date with any new guidance issued by the Information Commissioners Office (ICO); and
 - Introducing a series of internal reviews across the Council to ensure compliance with procedures and guidance.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with a capability to provide knowledge and information should a major incident occur; and
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.

With regard to Information Governance Framework, it was reported that advice and guidance was delivered to help support the 'decant' from TAC to ensure that information assets were securely transferred to a new location or disposed of in line with corporate guidance. The Information Governance Framework was currently being reviewed to reflect new ways of working and changing technologies.

With regard to Internal Audit, reference was made to the Internal Audit Plan, which had been approved in May 2015 and covered the period April 2015 to March 2016. An update on progress against the plan was provided. It was reported that 41% of the audit plan had been achieved so far, compared with 50% at this stage during 2014/15 and 45% in 2013/14. It was explained that performance to date had been affected by reduced resources, annual leave and ad hoc requests for reviews, advice and support which were not included in the original plan. It was further explained that the Audit Plan was responsive to the needs of the organisation and as such, it was normal practice to amend the plan during the year.

Taking into account progress against the plan in the first six months, additional audits delivered and a reassessment of the days needed to complete the remaining plan, approximately 300 planned days needed to be removed/rescheduled from the approved plan to accommodate new requests detailed in the revised plan. A revised plan for 2015/16 was appended to the report.

12 final reports had been issued in relation to systems, risk and managed audits. In addition to the final reports issued, 7 draft reports had been issued for management review and responses and these would be reported to the Panel in due course.

A further 9 school audits were completed during the period, the results of which were also summarised. In addition, 3 draft reports had been issued to Schools for management review and responses and these would be reported to the Panel in due course.

It was further reported that the initial review of Internal Audit against the new Public Sector Internal Auditing Standards (PSIAS), which came into effect on 1 April 2013, highlighted that the service was fully compliant with the requirements of the standard.

The Public Sector Internal Audit Standards (PSIAS) introduced from April 2013, required at Standard 1312 that each organisation's internal audit service was subject to an external assessment 'once every five years by a qualified, independent assessor or assessment team from outside the organisation'. As this requirement affected all local authorities, a sub-group of the North West Chief Audit Executives' Group, led by Cheshire West and Chester, had been considering a 'Peer Review' approach where the participating authorities would assess another authority from within the Group. This was a model that was working successfully across the London Boroughs and the key benefits of this type of approach would be consistency of approach, benchmarking and value for money. At its meeting of 23 July 2015 the North West Group signed off a memorandum of understanding (MoU) that enabled the peer review methodology to be piloted during the remainder of the calendar year. It was envisaged that wider rollout of the final methodology would commence during 2016/17. Progress in relation to this matter would be reported to the Panel at the completion of the pilot before the methodology was introduced and rolled out.

Work undertaken in the following areas was detailed as follows:

- Annual Governance Statement;
- Irregularities/Counter Fraud Work; and
- NAFN Data and Intelligence Services.

In respect of Local Audit and Accountability Act 2014, Members were informed that on 13 August 2010, the government announced its intention to abolish the audit commission and put in place new decentralised arrangements for the audit and accountability of local public bodies. The Local

Audit and Accountability Act 2014 abolished the Audit Commission and established new arrangements for the audit and accountability of local public bodies.

Contracts were let by the Audit Commission to appoint firms to take over its in-house audit work from 2012/13 for a period of 5 years. These contracts remained in place.

Section 9 of the Local Audit and Accountability Act 2014 established the "Requirement to have an Auditor Panel" and Schedule 4 highlighted "Further Provisions about Auditor Panels". However, the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015, confirmed that Section 9 and Schedule 4 were not yet in force and would not become so until the end of the transitional period - 31 March 2017. This aligned with the end of the current contract for external audit services. The regulations covered the role and composition of the Auditor Panel - which was only required if the Council was to procure its own external auditor.

The possibility existed for the Secretary of State to extend these contracts, and a decision was expected during autumn 2015 which would therefore delay the need to address the new regulations). Furthermore the Department for Communities and Local Government (DCLG) had asked the Chartered Institute of Public Finance and Accountancy (CIPFA) to write guidance to support the establishment of auditor panels. It was expected this would also be made available in autumn 2015 (however, this may change, dependent on the decision regarding the status of the current external audit contracts).

A further update would be provided to the next meeting once the DCLG announcement was made public.

RESOLVED

- (i) That the report and performance of the Service Unit for the period April to September 2013 be noted; and**
- (ii) That the revised Audit Plan for 2015/16, as appended to the report, be approved.**


13. URGENT ITEMS

The Chair reported that there were no urgent items for consideration at this meeting.

CHAIR

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Agenda Item 4.

Report To:	AUDIT PANEL
Date:	1 March 2016
Reporting Officer:	Peter Timmins – Assistant Executive Director, (Finance)
Subject:	GRANT THORNTON – GRANT CERTIFICATION REPORT 2014/15
Report Summary:	The attached report from Grant Thornton sets out the Grant Certification Report for 2014/2015.
Recommendations:	That the Audit Panel notes the report.
Links to Community Strategy:	Effective corporate governance and a robust approach to economy and efficiency underpin the delivery of the Community Strategy; the role of the External Auditor is to assist the Council to achieve this.
Policy Implications:	External audit of the Council supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	The certification of the grants outlined in the report ensures that the level of grant income received is maximised and correct.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2011.
Risk Management:	Ensuring that the Council meets the required standards in financial reporting, supports corporate governance objectives and ensures risk is managed.
Access to Information	<p>The background papers can be obtained from the author of the report, Beverley J Stephens, Head of Resource Management by contacting:</p> <p> Telephone: 0161 342 3887</p> <p> e-mail: beverley.stephens@tameside.gov.uk</p>

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11 December 2015

Dear Peter

Certification work for Tameside Metropolitan Borough Council for year ended 31 March 2015

We are required to certify certain claims and returns submitted by Tameside Metropolitan Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015

We have certified one claim and return for the financial year 2014-15 relating to expenditure of £91.2 million. Further details of the claim certified are set out in Appendix A.

We are pleased to report that our review in 2014-15 demonstrated the Council's continued improvements in its arrangements to compile a complete, accurate and timely return for audit certification. We are satisfied that recommendations raised in previous years have been addressed and would like to place on record our thanks to the Council's Benefits team for their continued engagement, support and contribution to this improvement.

The issues arising from our certification work were detailed in our qualification letter dated 26 November 2015. We have discussed the issues raised with the Benefits team with whom we will continue to work closely during 2015-16 to ensure the improved arrangements are maintained.

The indicative fee for 2014-15 for the Council is based on the final 2012-13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification under the Audit Commission regime (such as the national non-domestic rates return and teachers pensions return) have been removed. The indicative scale fee set by the Audit Commission for the Council for 2014-15 is £32,430. This is set out in more detail in Appendix B.

Yours sincerely

Mark Heap
For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2014-15

Claim or return	Value certified	Amended?	Amendment	Qualified?	Comments
Housing Benefits subsidy claim	£91,154,353	Yes	(£7,281)	Yes	Whilst the claim was again subject to amendment and qualification, this was on a reduced basis from previous years and represented continued improvement in the compilation of the claim by the Council. The value of the amendment is trivial in comparison to the total value of the claim.

Appendix B: Fees for 2014-15 certification work

Claim or return	2013-14 actual fee (£)	2014-15 indicative fee per Audit Plan (£)	2014-15 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	51,697	32,430	32,430	£nil	
Total	51,697	32,430	32,430	£nil	

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Agenda Item 5.

Report To:	AUDIT PANEL
Date:	1 March 2016
Reporting Officer:	Peter Timmins - Assistant Executive Director (Finance) Wendy Poole - Head of Risk Management and Audit Services
Subject:	PROGRESS REPORT ON RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES APRIL TO JANUARY 2016
Report Summary:	To advise members of the work undertaken by the Risk Management and Internal Audit Service between April and January 2016 and to comment on the results.
Recommendations:	Members note the report and the performance of the Service Unit for the period April to January 2016.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums and compensation payments to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015. It will be necessary as part of the significantly reduced resources available to the whole Council to ensure that the audit function also reflects those reductions and ensures that it is 'fit for purpose' and provides value for money going forward in a revised Council structure reflecting public reform including the Integrated Care Organisation. It will be necessary to look at new ways of working to ensure that we use resources as effectively as possible and keep the organisation safe.
Risk Management:	Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:



Telephone: 0161 342 3846



e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

- 1.1 This is the second progress report for the current financial year and covers the period April to January 2016.
- 1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Internal Audit Service during the first half of the year in respect of the approved Plan for 2015/2016, which was presented to the Audit Panel in May 2015.

2. RISK MANAGEMENT AND INSURANCE

- 2.1 The approved priorities for 2015/2016 are:-
- To deliver Risk Workshops for managers from summer onwards to enable risk registers to be updated in response to the 'Decant' from TAC.
 - To facilitate the continued implementation of the Information Governance Framework by:-
 - Providing advice and guidance in relation to the retention and disposal of information as a priority as part of the 'Big TAC Tidy Up';
 - Keeping the framework up to date with any new guidance issued by the Information Commissioners Office;
 - Introducing a series of internal reviews across the Council to ensure compliance with procedures and guidance.
 - To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with a capability to provide knowledge and information should a major incident occur.
 - To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.
- 2.2 With regards to Information Governance resources have been directed towards training during the last few months to ensure that all staff have completed the On-Line Data Protection at Work E-Tutorial and preparing for and launching a further tutorial on Information Governance. Targeted training to specific teams who deal with large volumes of personal and sensitive information is delivered on request. Training and awareness was highlighted as a key deliverable to ensure staff are aware of the roles and responsibilities at a recent Information Commissioners Office Workshop. The use of e-tutorials was accepted as a way of delivering the basic messages to all staff but the need for targeted workshops to high risk areas was enforced.
- 2.3 The Information Governance Framework which was approved and launched in November 2013 is currently being reviewed to incorporate the learning from the above mentioned Information Commissioners Office Workshop. The documents in the framework are quite generic and the Information Commissioners Office stated that they should be supported further by specific guidance for differing high risk areas which removes the need for judgement. The documents should be clear so that staff fully understand the expectations placed upon them. The refresh also presents the opportunity to review best practice across AGMA and other information governance specialists and incorporate this into Tameside's Information Governance Framework.
- 2.4 Work has also been undertaken during the period to collate the information required by our insurers in relation to the annual renewal of all our insurance policies. The renewal data is 31 March and it is anticipated that we will be notified of our premiums by the end of February 2016.

- 2.5 Advice and guidance has continued to be delivered across the Council ensuring that proper insurance covers are in place and that risks are managed to an acceptable level. The Team have continued to work with our insurers, claims handlers and legal representatives to ensure that all claims (including the litigated claims) have a robust defence in place.

3. INTERNAL AUDIT

- 3.1 The Audit Plan approved on 26 May 2015 covered the period April 2015 to March 2016 and totalled 1937 Days.
- 3.2 Table 1 below provides an update on progress against the Revised Plan to 31 January 2016. It can be seen from the table below that 82% of the audit days have been delivered to date. The actual days capture the latest information available to 31 January 2016. A graphical representation of the Planned versus Actual days in Table 1 below can be seen at **Appendix A**.

Table 1 – Annual Audit Plan Progress as at 31 January 2016

Service Area	Approved Plan May 2015	Revised Plan 2015/16 Approved Nov 2015	Revised Plan 2015/16 Jan 2016	Actual Days To 31 Jan 2016	% Complete
People	230	240	212	187	82
Public Health	60	27	27	20	74
Place	199	163	155	150	97
Governance/Resources	330	261	274	218	80
Schools	293	286	235	214	91
Cross Cutting	40	38	28	30	107
Pension Fund	300	250	250	166	66
Contingency Days	10	5	0	0	0
Planned Days 2015/16	1462	1270	1181	985	83
Fraud Work	475	475	475	375	85
Total Days 2015/16	1937	1745	1656	1360	82

- 3.3 As stated above 82% of the audit days have been delivered to the end of January 2016. The plan presented to the Panel in November was based on the assumption that a temporary auditor would be engaged to assist with the delivery of the plan and in particular school audits. Unfortunately no suitable resource was identified and therefore the plan has been revised to match with available resources.
- 3.4 The planning process is well underway for 2016/17 and will be presented to the next meeting of the Panel. All audits are risk assessed including schools taking into account duration since the last audit and therefore any audits that have been rescheduled from 2015/16 will score highly on that feature in the risk assessment.

- 3.5 In terms of the revised plan, the key changes which are reflected in the above table are highlighted in table 2 below:-

Table 2 – Changes to Annual Audit Plan 2015/16 As At January 2016

Service Area	Audits Rescheduled
People	• Supporting People - Contract Monitoring
	• Youth Offending Team
Place	• Mobile Phones (Security and Fleet Management)
Schools	• 8 Primary Schools
Cross Cutting	• Review of ICT within Service Areas
Governance	• Reduced Days on Review of Expenditure
	Audits Added
Governance	• Bank Transfer Appointeeships/Deputyships
	• Increased Day for Better Care Fund

- 3.6 During the four month period to the end of January 2016, 7 Final Reports were issued in relation to systems based audits, the results of which are summarised in Table 2 below.

Table 2 – Final Reports System Audits

Opinion	Number Oct 15 – Jan 16	%	Total To Date	Total for 2014/15
High	2 (2)	29	3 (2)	2 (2)
Medium	5 (0)	71	10 (2)	8 (3)
Low	0 (0)	0	4 (0)	4 (0)
Totals	7 (2)	100	17 (4)	14 (5)

Note: The figures in brackets relate to Final Reports issued for the Pension Fund.

- 3.7 In addition to the total number of final reports issued, 8 Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.
- 3.8 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category:-
- Hattersley Collaboration Agreement
 - Public Health Grant
 - Autism Innovation Capital Grant
 - Local Transport Settlement Grant
 - Troubled Families Financial Claim Verification
 - HR Teachers Pension Scheme Verification Checks
 - Bus Subsidy and Pinchpoint Grants
 - Pension Fund - Ministry of Justice Assurance Work
 - Construction Industry Consultancy Review
 - Other Payments to Staff
 - System Sign Off Bank Transfer

- System Sign Off ProContract (Procurement System)

3.9 9 School Audits were completed during the period, the results of which are summarised in table 3 below.

Table 3 – Final Reports Schools

Opinion	Number Oct 15 – Jan 16	%	Total To Date	Total for 2014/15
High	3	60	5	4
Medium	1	20	6	13
Low	1	20	3	3
Totals	5	100	14	20

- 3.10 In addition to the total number of final reports issued, 6 Draft Reports have been issued to Schools for management review and responses and these will be reported to the Panel in due course.
- 3.11 Post Audit Reviews are undertaken approximately six months after the Final Report has been issued, however, where a low level of assurance is issued the post audit review is scheduled for three months to ensure that the issues identified are addressed. 11 Post Audit Reviews have been completed during the period taking the total for the year to 36. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented. A further 8 Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

4. REVIEW OF INTERNAL AUDIT

- 4.1 The review of Internal Audit reported to the Audit Panel on 26 May 2015 against the Public Sector Internal Auditing Standards highlighted that the service is fully compliant with the requirements of the standard.
- 4.2 The Public Sector Internal Audit Standards, introduced from April 2013, require at Standard 1312 that each organisation's internal audit service is subject to an external assessment "once every five years by a qualified, independent assessor or assessment team from outside the organisation".
- 4.3 The peer review process developed by the North West Chief Audit Executives' Group, led by Cheshire West and Chester, has now been piloted. The review was undertaken by a Panel of three Chief Internal Auditors and the process involves the completion of a self-assessment and the provision of evidence, followed by a questionnaire to and interview with key senior officers and members. The panel are in the process of drafting their report which will then go to a moderation panel of three independent Chief Internal Auditors. A second pilot is to be undertaken by the end of March 2016 and then a rolling programme of reviews will be compiled for the remaining North West Authorities.
- 4.4 Whilst compliant with the procedural aspects of the Public Sector Internal Audit Standards a full review of the audit process has commenced, however, progress has been hindered by the availability of resources and the need to complete the audit plan.

5. ANNUAL GOVERNANCE STATEMENT 2014/15

- 5.1 The Annual Governance Statement presented to the Audit Panel on 26 May 2015 and approved by the Overview (Audit) Panel on 21 September 2015 highlighted six areas for development. Table 4 below provides an update on progress to date.

Table 4 – Annual Governance Statement Development Areas

Development	Progress to Date
The ongoing level of change across the organisation, reduced resources and staff capacity to deliver the challenges faced by the Council is managed by ensuring that proper governance procedures and risk management are in place to safeguard that the overall control environment is not adversely affected.	A risk based Internal Audit plan is in place which addresses the keys risks facing the council. Furthermore, Internal Audit is invited to participate at the outset on project groups to ensure that risks are fully assessed and controls are satisfactorily introduced or amended. Risk management is embedded in service delivery as all reports submitted for decisions by both officers and members have to detail the risk implications to ensure that they are being managed. Assistance from Risk Management and Audit is provided when requested.
The integration and partnership working with the Local Health Economy are instrumental in delivering a healthier Tameside, however, as we move towards an Integrated Care Organisation it is critical that strong governance arrangements are introduced to ensure that positive outcomes are achieved through robust systems and procedures that are open and transparent and monitored accordingly.	<p>In September the three key partners organisations, the Hospital, the Council and the Clinical Commissioning Group, agreed to work together to implement a plan that will best ensure optimum health and care outcomes for residents and ensure collective financial sustainability for future years. This is because what we do now is not affordable and all organisations have reducing budgets.</p> <p>At Full Council in January 2016 a governance and accountability framework was adopted to support the development and implementation of an integrated health and social care system in Tameside. This puts in place the legal arrangement and processes that enable the Clinical Commissioning Group and the Council to make decisions about commissioning and our joint £350million expenditure together.</p>
Vision Tameside, which is a multi-million pound project in partnership with Tameside College, is delivered in accordance with agreed milestones and that the risks to service delivery during the interim period are kept under review to minimise disruption to the people and businesses of Tameside so that together the mutual benefits of the project will be recognised and celebrated. It is also important to ensure that the benefits of the new building are realised in terms of different ways of working and reducing	Regular progress reports are provided to SMT/ET, Board and Cabinet.

Development	Progress to Date
future running costs.	
The risks associated with 'decanting' from TAC and the transfer of the data centre to Rochdale MBC need to be managed to ensure that robust processes are in place to enable the council to continue to deliver its services effectively to maintain good outcomes for the residents of Tameside.	All risks were managed and both projects were delivered successfully.
As in last year, this continues to be a key issue for the Greater Manchester Pension Fund as the transfers from the Ministry of Justice Project draws to a conclusion, which involves transferring the Probation Service Pension Schemes into the GMPF. It is important that the process is managed and that a robust assurance process is in place to ensure that all the transfers are completed efficiently and effectively.	Assurance work was undertaken in Quarter 1 and all transfers were completed successfully.
Improvements to the creditor payments system have been highlighted as part of an internal audit review. A full system review is currently underway to review the process from procurement to payment.	Responsibility for Creditor Payments has now transferred from Exchequer to Resource Management and the system/processes are currently being reviewed.

6. IRREGULARITIES/COUNTER FRAUD WORK

- 6.1 Fraud, irregularity and whistle-blowing investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach.
- 6.2 All investigations and assistance cases are reviewed by the Standards Panel every month and where appropriate the members of the Panel challenge and comment on the cases and offer further guidance and direction. Assistance cases can range from obtaining information for an investigating officer to actually undertaking a large proportion of the analysis work to provide evidence for the investigatory process.
- 6.3 The number of cases investigated during the period April to January 2016 is summarised in Table 5 below. Work is currently underway to review the investigation process and all guidance notes and policies in light of the Chartered Institute of Public Finance and Accountancy Code of Practice on Managing the Risk of Fraud and Corruption. However, completion has been delayed as the update to the Fighting Fraud Locally Strategy has not yet been released although it is expected shortly and the findings and recommendations from this will need to be built into the refreshed documents.
- 6.4 The Chartered Institute of Public Finance and Accountancy Fraud and Corruption Tracker Survey has been released and is reported as a separate item on the agenda.

Table 5 – Investigations Undertaken from April to January 2016

Detail	No. of Cases
Cases B/Forward from 2014/2015	13
Current Year Referrals	11
Total	24
Cases Closed	10
Cases Still under Investigation	14
Total	24
Assistance Cases	2

6.5 The above investigations can be categorised by fraud type as shown in Table 6 below.

Table 6 – Investigations by Fraud Type

Fraud Type	No. of Cases
Direct Payment	13
Procurement Fraud	1
Missing Monies/Stock	5
Theft of Time/Mileage	2
Pension Fund	1
Identity Fraud	1
Foster Care Payments	1
Total	24

6.6 Work has continued during the period on the matches identified from the National Fraud Initiative 2014 Exercise received in early January 2015 and the key matches identified are shown below in table 7.

Table 7 – National Fraud Initiative Data Matches 2014

NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	OUTCOME No. of Error/Frauds and Value
Pensions to Department of Work and Pensions Deceased Persons	569	101	564	5	34 Frauds £24,841
Housing Benefits to Student Loans	405	200	134	66	1 Error £15,503
Housing Benefits to Payroll	634	132	132	-	2 Frauds £29,370

NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	OUTCOME No. of Error/Frauds and Value
Housing Benefit to Personal Alcohol Licences	42	22	22	-	-
Housing Benefit Claimants to UK Visas	9	8	5	3	-
Housing Benefit to In-Country Immigration	11	3	2	1	-
Blue Badge to Department of Work and Pensions Deceased	457	451	457	-	-
Private Residential Cares Homes to Department of Work and Pensions Deceased	33	11	11	-	1 (Error) £5,744
Pensions to Payroll	2,035	687	1	686	-
Creditors Duplicate Records/Payments	1,244	259	148	-	7 (Error) £48,104
Housing Benefits to Taxi Drivers	159	51	51	-	-
Totals	5,598	1,925	1,044	686	E - £69,351 F - £54,211

6.7 The outcome figure reported to the Panel in November was £78,689.

6.8 The expectation from the Cabinet Office in relation to the above matches is that all "Recommended Matches" are investigated. Further matches were released during the period and these are now being investigated. Any requests for data from other local authorities are dealt with by Internal Audit in conjunction with service areas (where appropriate) to ensure compliance with the Data Protection Act 1998.

6.9 A visit from the Cabinet Office's National Fraud Initiative Team took place in November to review progress and share learning. The report from the visit states that:

A broad scope of investigations has been undertaken to follow up NFI matches since they were released in early 2015 and this has resulted in positive results across many of the areas that NFI covers. Significant outcomes have been made in Benefits, Pensions and Creditors with a current overall outcome of £123,562. The extent of the follow up work has been good throughout NFI where most of the recommended matches have been reviewed, and in some cases further matches have been followed up. Smart working techniques have been adopted where appropriate to make the follow up process more efficient.

In summary the assessor commented that "the breadth of input is as comprehensive as I have seen for a body the size of Tameside and this has been rewarded by excellent outcomes across the whole exercise".

6.10 Progress is monitored by the Counter Fraud Specialist with Internal Audit to ensure that the recommended matches are investigated.

7. NAFN DATA AND INTELLIGENCE SERVICES

- 7.1 On 1 October 2015 Tameside became the single host authority for the National Anti-Fraud Network. The transfer of Housing Benefit Fraud Teams to the Single Fraud Investigation Service is almost complete with the last transfers taking place on 1 March 2016. The period October 2015 to March 2016 is a transitional period for the service as it deals with the final intelligence requests from Housing Benefit Investigators and moves into new areas.
- 7.2 All staff from the Brighton office and one member of the Tameside team successfully transferred over to the Single Fraud Investigation Service at the end of September.
- 7.3 The revised Marketing Plan is now paying dividends as we are continuing to attract new members from both local authorities and housing associations. Weekly marketing emails are being despatched to all registered users outlining the various services on offer to all members as the NAFN subscription provides corporate membership.
- 7.4 The National Anti-Fraud Network Annual General Meeting and Summit was held at the Great Hall at the London Borough of Kensington and Chelsea on 20 November 2015. The theme of the event was the effective and lawful use of data and Intelligence and the keynote speaker was Robert Raines CBE who is part of the Investigatory Powers Review Team commissioned by the government to review access to communications data. Record numbers of delegates attended the event and positive feedback has been received.
- 7.5 The Executive Board consist of eleven local authority representatives from Internal Audit, Corporate Fraud and Trading Standards, there is currently one vacancy which is being targeted towards a representative from Revenues. The Head of Risk Management and Audit has chaired the board for the last four years and has just been confirmed as the Chair for the coming year.
- 7.6 Access to communications data is an important element in the fight against fraud and crime and we await the outcome of the Investigatory Powers Bill which is currently going through the parliamentary review process. The Bill provides a framework for the use of investigatory powers by law enforcement and security and intelligence agencies, as well as other public authorities. There was a call for evidence and the National Anti-Fraud Network coordinated a local authority response together with the LGA which was submitted on 16 December 2015. The Joint Committee are expected to report to the Government with recommendations in February 2016.
- 7.7 A further report is on the agenda providing more details about the National Anti-Fraud Network so that the Audit Panel is fully sited on its operations and the risks involved which have now transferred solely to Tameside.
- 7.8 Table 8 below shows the requests received for the period April to December 2015 compared to the two previous years covering the main categories of enquiry received.

Table 8 – Performance Figures for NAFN April to December 2015

Type Of Request	April to Dec 2013/2014	April to Dec 2014/2015	April to Dec 2015/2016	% Increase (Decrease)
General	53,312	50,986	48,324	(5)
SSFA	64,182	42,823	10,535	(75)
CTRS	N/A	102	1,575	1,444
POSHFA	N/A	2,177	3,165	45

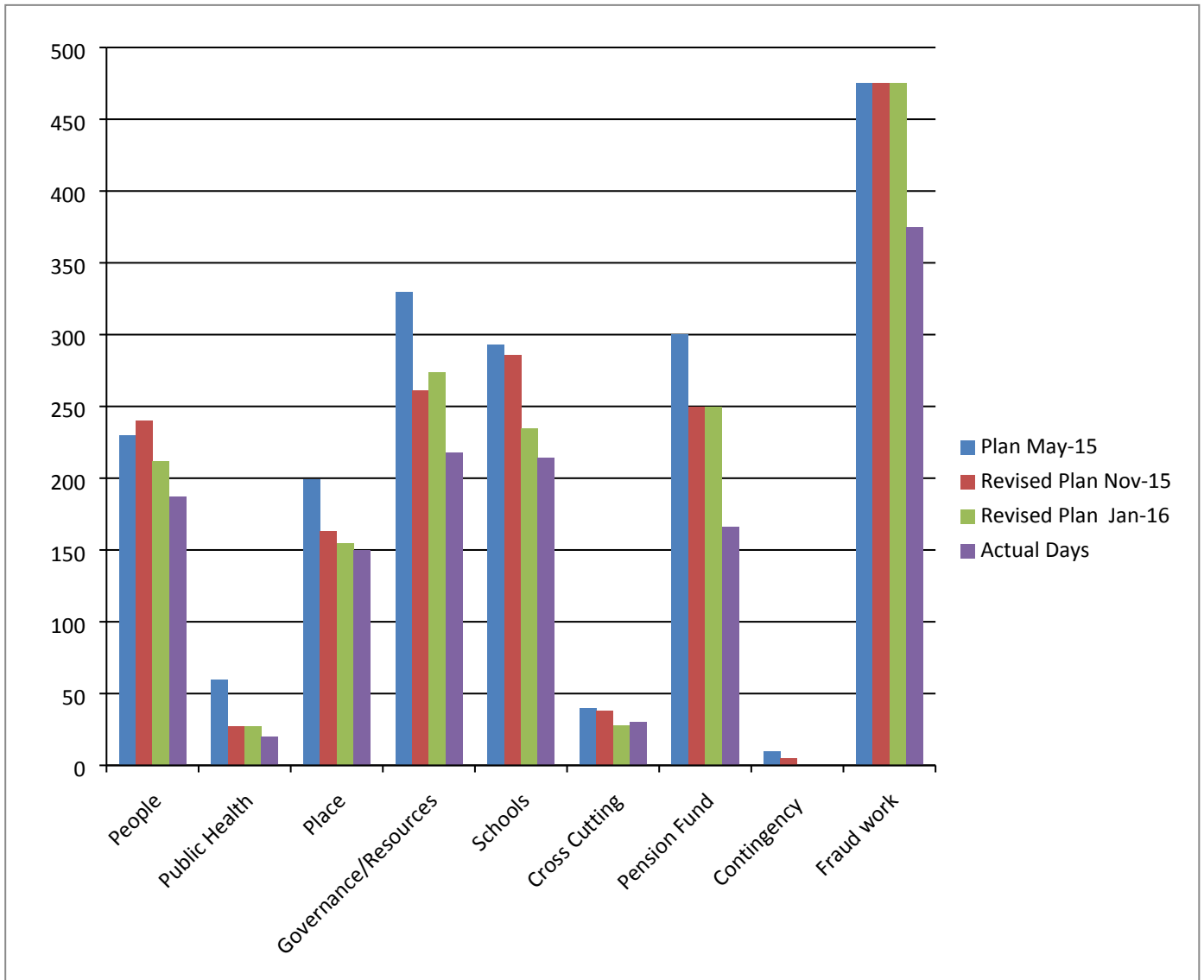
Type Of Request	April to Dec 2013/2014	April to Dec 2014/2015	April to Dec 2015/2016	% Increase (Decrease)
DVLA	26,685	17,052	10,819	(37)
RIPA	1,284	2,306	7,80	(66)
Online Requests	30,040	39,540	51,368	30
TOTALS	175,503	154,986	126,566	(18)

8. RECOMMENDATION

- 8.1 That members note the report and the performance of the Service Unit for the period April to January 2016.

APPENDIX A

PLANNED AUDIT DAYS v ACTUAL AUDIT DAYS 2015/16



Agenda Item 6.

Report To:	AUDIT PANEL
Date:	1 March 2016
Reporting Officer:	Peter Timmins – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services
Subject:	NATIONAL ANTI-FRAUD NETWORK DATA AND INTELLIGENCE SERVICES
Report Summary:	To update Members with an overview of the services provided by the National Anti-Fraud Network Data and Intelligence Service.
Recommendations:	That Members note the report.
Links to Community Strategy:	The National Anti-Fraud Network provides data and intelligence to investigators in their fight against fraud and crime and therefore indirectly supports the community strategy of Tameside and its various members by reducing the amount of public funds lost to fraud/crime.
Policy Implications:	Counter fraud activities support the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	There is no financial implication for Tameside as the National Anti-Fraud Network is self-financing and fully funded by membership fees and government grants. Furthermore, a reserve of £500,000 is maintained to cover any redundancy costs or wind-up costs should the services of the National Anti-Fraud Network be no longer supported by member local authorities, housing associations and other public sector bodies.
Legal Implications: (Authorised by the Borough Solicitor)	As new services are developed, the governance processes of Tameside must be adhered to ensuring that the Council is not put at risk and that safe, secure and robust systems are in operation.
Risk Management:	<p>Tameside is the single host authority and carries the risks associated with the delivery of the National Anti-Fraud Network services, whereas previously these risks were shared with Brighton and Hove Council. The National Anti-Fraud Network however, has been in existence since 1996 and developed into a highly regarded service which is supported by the Home Office, the local authority community and other public sector bodies. It has tried and tested procedures in place that are robust, legally compliant and delivered by fully trained and qualified staff.</p> <p>Parts of the service such as RIPA Telecommunication Services are inspected by the Interception of Communications Commissioner's Office (IoCCO) on a regular basis, the results of which are reported to Parliament. The service is well managed and governed by an Executive Board of senior</p>

officers nominated from local authority members. The current chair of the Executive Board is the Head of Risk Management and Audit Services at Tameside MBC.

The National Anti-Fraud Network Head of Service maintains an organisation risk register which is regularly reviewed and updated by the Executive Board.

Access to Information:

The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:



Telephone: 0161 342 3846



e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

- 1.1 The National Anti-Fraud Network was established in 1997 and is the largest local authority shared service, which offers membership to all local authorities in the United Kingdom. The National Anti-Fraud Network is a subscription network formed by its members to provide services, which support their work in the protection of the public purse. The National Anti-Fraud Network was created as a centre of excellence to provide data and intelligence to its members. The original business objective was to share intelligence to raise awareness and support investigations into fraud locally, regionally and nationally. These services have been continuously developed and enhanced over the years in response to government initiatives and emerging business needs.
- 1.2 Initially, operations were shared across nine local authorities but in 2003 the service was consolidated into three small teams based in Tameside Metropolitan Borough Council, Brighton and Hove City Council and Birmingham City Council. All three councils shared governance responsibilities. In 2013, following the departure of the Director of the National Anti-Fraud Network, Birmingham withdrew from the partnership. In 2014, following the Government's decision to transfer all local authority housing benefit investigations to the Department of Works and Pensions the National Anti-Fraud Network Executive Board decided to consolidate the service into one office and asked Tameside to be the sole host of operations. This was approved by a Key Decision in May 2015. The Brighton office closed on 30 September 2015.
- 1.3 Between 1997 and 1999, the National Anti-Fraud Network was grant funded by the Department of Works and Pensions but in 2000 the former Management Committee made a decision to introduce a fee model with annual subscriptions from members to meet operational costs. This funding arrangement is still in operation but income is supplemented by an annual grant from the Home Office and ad hoc funding from other agencies such as the National Trading Standards Board.
- 1.4 The vision for the National Anti-Fraud Network is to be recognised by its members as setting the highest standards and establishing a centre of excellence to provide data and intelligence that supports them in their protection of the public purse. The vision also includes assisting members in the provision of effective corporate and financial governance.

2. NATIONAL ANTI-FRAUD NETWORK EXECUTIVE BOARD

- 2.1 Since 2006 the management of the National Anti-Fraud Network has been entrusted to an Officer Executive Board of officers (formally the Management Committee) appointed at each Annual General Meeting. The Officer Executive Board consists of at least 8 and not more than 12 representatives. The Host Authority has automatic entitlement to determine their representative on the Executive Board and this representative has full voting rights.
- 2.2 The Officer Executive Board may co-opt any person, by majority vote, to serve on the Board provided that the number of co-opted members does not exceed one quarter of the total membership. Co-opted Officer Executive Board members have no voting rights.
- 2.3 The Officer Executive Board provides strategic direction and operational management of the service. It ensures that adequate resources are available to deliver the National Anti-Fraud Network Business Plan which is refreshed every year. The Business Plan covers the following areas:-
 - Budget Overview;
 - Data Services;
 - Stakeholders;
 - Marketing and Communications; and
 - Business Targets

2.4 The Executive Board also identifies and agrees the organisational structure and establishment required to deliver the National Anti-Fraud Network services in conjunction with host authority policies.

2.5 Since 2010 the National Anti-Fraud Network Executive Board has been chaired by Wendy Poole, Tameside's Head of Risk Management and Audit Services. The current members of the Executive Board are detailed in the table below.

2.6 **Table 1 – Members of the Executive Board (November 2015)**

Board Member	Local Authority	Post Held
Wendy Poole (Chair)	Tameside Metropolitan Borough Council	Head of Risk Management and Audit
David Hogan	London Borough of Croydon Council	Investigations Manager
John Peerless Mountford	Brighton and Hove City Council	Principal Trading Standards Officer
Peter Farrow (Treasurer)	Sandwell Metropolitan Borough Council and Wolverhampton City Council	Shared Audit Services and Risk Management Manager
Andy Hyatt	Royal Borough of Kensington and Chelsea, London Borough of Hammersmith and Fulham and Westminster City Council	Shared Services Head of Fraud
Nick Hobbs	Swindon Borough Council	Head of Internal Audit
Tom Powell	Manchester City Council	Head of Internal Audit and Risk Management
Mike Halstead	Conwy County Council	Head of Audit and Procurement
Daniel Helps	Southend Borough Council and Thurrock Borough Council	Investigations & Forensics Manager
Sharon Hughes	West Dunbartonshire Council	Section Leader Corporate Fraud
John Hillarby	London Boroughs of Merton and Richmond upon Thames	Trading Standards Manager

3. CONSTITUTION

3.1 The National Anti-Fraud Network has had for many years a formal Constitution and Governance Handbook for the network. Closure of the Brighton Office and the transfer of all operations to Tameside as the sole host has required a major revision to this documentation and an updated Constitution and Governance Handbook was presented and approved at the annual general meeting for the Network on 20 November 2015.

3.2 The revised Constitution and Governance Handbook was drafted in consultation with Tameside Legal Services and now includes:-

- The National Anti-Fraud Network Constitution;
- A consolidated Membership Agreement;
- Governance Document – Management Framework to deliver the National Anti-Fraud Network Vision;
- A service level agreement which defines the roles and responsibilities of both the National Anti-Fraud Network and the Host Authority Tameside Metropolitan Borough Council;
- Service level agreement with the Information Communication Technology service for Rochdale Metropolitan Borough Council; and
- Agreements with Third Parties.

- 3.3 As the National Anti-Fraud Network is not a separate legal body in its own right it is also governed by the corporate governance arrangements of Tameside MBC.

4. NATIONAL ANTI-FRAUD NETWORK EXPENDITURE AND INCOME

- 4.1 The National Anti-Fraud Network as part of the Council is required to deliver a balanced budget protecting and minimising the use of reserves. The annual Budget for 2016-17, has set a maximum expenditure limit of £705,900 to deliver the key activities and objectives set out in the Business Plan. The approved budget including the various income streams from membership fees and grants is detailed in the table below.

Table 2 – National Anti-Fraud Network Budget 2016-17

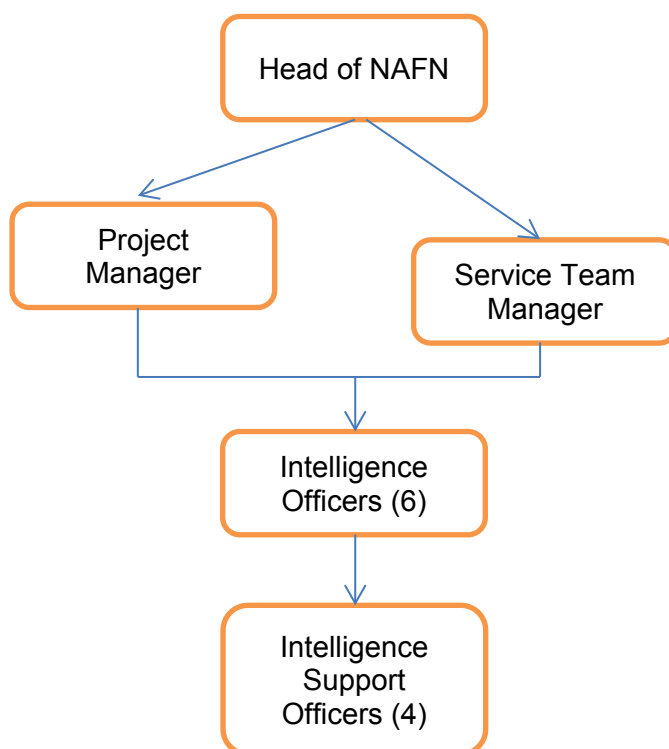
Expenditure	2015 -16 Amount £	2016 -17 Amount £
Employees	558,000	414,900
Premises	12,000	13,800
Transport	10,000	12,800
Supplies and Services	167,000	223,400
Management and Internal Recharges	155,000	41,000
Total Expenditure	902,000	705,900
Income		
Membership Fees	693,500	340,000
Home Office and National Trading Standards Board.	120,000	129,000
Associate Members	41,000	50,000
Data enquiries revenue	N/A	190,000
Contribution from Reserves	47,500	N/A
Total Income	902,000	709,000

- 4.2 The cost of running the service from 2016/17 has reduced due to the move to a single point of delivery.
- 4.3 All funds are administered by Tameside Metropolitan Borough Council and are subject to the audit arrangements of the Host Authority.
- 4.4 Income in relation to Membership Fees is recharged to members annually and Data Enquiry Fees are recharged quarterly in arrears based on usage, all income is billed and collected via Tameside's Debtors Service. Income from the Home Office and the National Trading Standards Board are negotiated annually.
- 4.5 Under its Constitution the National Anti-Fraud Network is required to maintain a strategic financial reserve, the level of which is agreed with the Host Authority. Currently, this reserve is £500,000 and is designed to meet any costs associated with the dissolution of the National Anti-Fraud Network should members cease to support the shared service, eliminating the risk of any financial impact falling on the Council. The National Anti-Fraud Network also has a working reserve of approximately £300,000 and this is used to meet any overspend of the approved annual budget through virement. The NAFN Executive Board is also authorised to approve expenditure from the working reserve to fund major service enhancement projects.
- 4.6 The Constitution also requires the National Anti-Fraud Network to comply with the Host Authority's Financial Regulations, Procurement Standing Orders and procedures including for the payment of accounts and salaries.

- 4.7 The financial position of the National Anti-Fraud Network is presented at the Annual General Meeting by the Treasurer and published in the Annual Report, which is made available to all National Anti-Fraud Network members at the above meeting and thereafter published on its website.

5. NATIONAL ANTI-FRAUD NETWORK SERVICE TEAM

- 5.1 A new organisational structure became operational from 1 October 2015 with a single team based within the Governance and Resources Directorate and is detailed below.



- 5.2 The Head of Service is supported by a Projects Manager (not yet appointed) and a Service Team Manager. The latter is responsible for day-to-day operational management, quality assurance, membership and marketing. The provision of data and intelligence services is delivered by six Intelligence Officers and four Intelligence Support Officers.

6. MEMBERSHIP

- 6.1 Membership is open to all local authorities in Great Britain and Northern Ireland (full members) as well as government agencies, housing associations and other appropriate organisations (associate members). Local authority members have full voting rights at the Annual General Meeting or Special General Meetings. Terms and conditions of membership are included in the National Anti-Fraud Network Membership Agreement which is signed by all members.
- 6.2 Fees and service charges are agreed and reviewed annually by the National Anti-Fraud Network Executive Board. Changes and revisions are communicated in advance to members.
- 6.3 Currently the National Anti-Fraud Network has 352 local authority members 90% of all councils. In addition, there are 50 private registered providers (housing associations) and 12 other organisations including:-

- Department of Work and Pensions
- Northern Ireland Social Security Investigations
- National Health Service Regional Fraud Offices
- Northern Ireland Trading Standards Institute
- Office of Communications
- Federation Against Copyright Theft

6.4 Associate membership is growing steadily in response to active marketing of the service.

7. SERVICES TO MEMBERS

7.1 The National Anti-Fraud Network is widely regarded as a centre of excellence for data and intelligence supporting counter fraud and crime nationally providing a 'one-stop shop' for its members. It offers a comprehensive value for money service delivering financial and efficiency savings for all its members.

7.2 The National Anti-Fraud Network has established a successful track record of innovation and delivery, working with a wide range of service and business partners.

7.3 All National Anti-Fraud Network systems are robust, secure and legally compliant and the service has been acknowledged by a range of government bodies including the Home Office, Department for Work and Pensions and Driver and Vehicle Licensing Agency.

7.4 In 2009, the National Anti-Fraud Network was asked by the Home Office to become the Single Point of Contact for local authorities seeking to acquire communications data under the Regulation of Investigatory Powers Act. Following a recent inspection from the Interception of Communication Commissioners Office they described the National Anti-Fraud Network as providers of a "Rolls Royce service" to local government and other agencies.

7.5 In December 2014, the Home Office mandated that all local authorities must use the National Anti-Fraud Network service for accessing communications data. The National Anti-Fraud Network's role and responsibility in this area may be expanded and strengthened by Government following the recent publication of the Investigatory Powers Bill.

7.6 Local authority membership is corporate and the service departments using the services offered by the National Anti-Fraud Network include:-

- | | |
|------------------------|-----------------------|
| • Trading Standards | • Housing |
| • Corporate Anti-Fraud | • Licensing |
| • Internal Audit | • Parking |
| • Environmental Health | • Protective Services |
| • Council Tax | • Insurance |
| • Debt Recovery | • Planning |
| • Legal | • Human Resources |

7.7 Members are provided with regular intelligence alerts and service improvements as well as guidance on new regulations and legislation. Members are also provided with supporting witness statements as and when required.

7.8 A key benefit for members is the independent and consistent role played by the National Anti-Fraud Network. This role includes acting as a lawful gateway to ensure requests are necessary, proportionate and legally compliant.

- 7.9 In the 2013 National Fraud Indicator report, estimated losses to local government were £2.1 billion, across a range of business areas including procurement, payroll and council tax. There are currently more than 10,000 active user accounts and members are able to access a wide range of data and intelligence to protect the public purse through verification, debt recovery and fraud investigation to fight crime, particularly cyber-crime.
- 7.10 The type and number of enquiries received from members during 2014/15 and 2013/14 is detailed in the table below.

Table 3 – Number of Enquiries Received

Enquiry Type	2014/15 April - March	2013/14 April - March
Authorised Officer Service	63,522	82,797
General Service	68,393	72,851
Driver and Vehicle Licensing Agency	21,132	34,898
Type 'B' Data	55,241	44,194
Regulation of Investigatory Powers Act	2,369	1,617
Total Enquiries	210,657	236,357

- 7.11 A summary of each category of enquiry is provided below:-

- **Authorised Officer Services**

The National Anti-Fraud Network can access data under statutory powers provided by the Council Tax Reduction Scheme Regulations 2013 and the Prevention of Social Housing Fraud Act 2014. Authorised Officers obtain financial data from banks and credit providers, utility information to support investigations into council tax reductions and housing tenancy fraud. Expedient processes have been established with over 800 information providers and ensure that data is requested efficiently and lawfully.

- **General Service**

A wide variety of data is obtained via the service using statutory exemptions under the Data Protection Act 1998, assisting local authorities not just to combat fraud and criminality but also to assist with other functions of verification, validation, applications for council services and debt recovery. These services range from general to bespoke credit and debt reporting, consented information to assist in tracing individuals, official information from the General and Land registry, details of passports and immigration status and information regarding companies and directors to name a few.

- **Driver and Vehicle Licensing Agency**

A secure overnight service providing access to identify the current keeper of a vehicle is also offered. The service is used by local authorities for multiple purposes ranging from identifying the keepers of abandoned vehicles, to blue badge misuse.

- **Type B Data**

Working in collaboration with two of the three credit reference agencies the National Anti-Fraud Network now provides members with instant access to their credit reporting products via its secure website. The development of online services has been key to increasing efficiencies and reducing costs. The service continues to engage with stakeholders to provide further online services striving to deliver improved, efficient and low cost services to members.

- **Regulation of Investigatory Powers Act**

Since legislative change in December 2014, the National Anti-Fraud Network is the only route by which local authorities can access communications data under the Regulation of Investigatory Powers Act. It delivers a nationally recognised service providing robust, secure and online access to many communication providers.

Telecommunications data can often be crucial in assisting local authorities with their law enforcement duties, enabling the identification and apprehension of offenders and protecting businesses and consumers. The key user of this service is trading standards teams.

8. INTELLIGENCE SHARING AND FUTURE DEVELOPMENT

- 8.1 The National Anti-Fraud Network works closely with representatives from key government departments including the Cabinet Office and Home Office to explore opportunities for intelligence sharing and identify business solutions that might be delivered in partnership with government, business solution providers and other agencies. Discussions are also progressing with the National Fraud Intelligence Bureau and agencies involved in the prevention and detection of fraud and crime.
- 8.2 The longer term objective is to expand the range of services offered to members, introducing automated on-line enquiries and accredited training to support continuing professional development. A further strategic objective is to create regional and national hubs for all relevant local government intelligence to support the Government's agenda on protecting and preventing fraud 'Fighting Fraud Together'.

9. RISKS FOR TAMESIDE

9.1 Financial Viability

Risk: That the National Anti-Fraud Network will become financially unviable because income from membership and external grants fails to meet the operational costs of service delivery.

Mitigation: The National Anti-Fraud Network is currently fully funded from membership subscriptions and government grants and therefore there is no call on the revenue budget of Tameside to cover its ongoing operational costs. Furthermore, the National Anti-Fraud Network has an approved reserve of £500,000 which has been set aside to cover any staffing or contractual costs which would fall to the host authority should the National Anti-Fraud Network cease to exist.

9.2 Reputational

Risk: Inappropriate/incorrect data and intelligence is returned to an investigator breaching the Data Protection Act and causing reputational damage.

Mitigation: The National Anti-Fraud Network does not conduct investigations into fraud; it provides data and intelligence that is requested by investigators through robust and resilient processes. National Anti-Fraud Network acts as a gateway and ensures that all requests are proportionate, necessary and legally compliant.

All National Anti-Fraud Network staff are suitably qualified and experienced to undertake their roles and processes and procedures are regularly monitored and reviewed to ensure they comply with changes in legislation.

9.3 Service Delivery to Members

Risk: The National Anti-Fraud Network fails to provide an accurate and reliable service to members because the information technology infrastructure is insufficiently robust and flexible.

Mitigation: The National Anti-Fraud Network provides a web-based service heavily reliant on having an effective information technology infrastructure in place. A service level

agreement is now in place with Rochdale Metropolitan Borough Council to provide the National Anti-Fraud Network with the necessary platform and support for the organisation.

10. RECOMMENDATIONS

- 10.1 That members note the report.

Report To:	AUDIT PANEL
Date:	1 March 2016
Reporting Officer:	Peter Timmins - Assistant Executive Director (Finance) Wendy Poole - Head of Risk Management and Audit Services
Subject:	LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 - CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS
Report Summary:	This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
Recommendations:	<p>Members are requested to consider their preferred approach of either:</p> <ul style="list-style-type: none">• Supporting the Local Government Association in setting up a national Sector Led Body by indicating intention to “opt-in”.• Establishing a stand-alone Auditor Panel to make the appointment on behalf of the Council.• Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities.• Using an existing independent panel of the authority (this will only be applicable where a suitably constituted panel already exists).
Links to Community Strategy:	The changes required by the Act will enable the Council to continue to be fully accountable to local people for its financial activities, as part of the Council’s commitment to improvement, efficiency and good governance.
Policy Implications:	Changes to the terms of reference of the Audit Panel and the establishment of an Independent Auditor Panel will be required. However, as the current external audit contract does not end until 2017 there is sufficient time to fully consider whether to appoint a Tameside specific panel or participate in a collective arrangement.
Financial Implications: (Authorised by the Section 151 Officer)	<p>Current external fee levels are likely to increase when the current contracts end in 2018.</p> <p>The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 has been estimated by the Local Government Association as being £15,000 plus ongoing expenses and allowances. For option 2, these costs would be shared across a number of authorities. The costs will need to be included in the Council’s budget for 2016/17 and 2017/18. The estimated cost includes the cost of recruiting independent appointees (members), servicing the Panel,</p>

running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.

Opting-in to a national Sector Led Body provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

Legal Implications:

(Authorised by the Borough Solicitor)

Section 7 of the Local Audit and Accountability Act 2014 requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;

Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

Risk Management:

There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

Access to Information:

The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:



Telephone: 0161 342 3846



e-mail: wendy.poole@tameside.gov.uk

1. BACKGROUND TO THE ISSUE

- 1.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 1.2 The Council's current external auditor is Grant Thornton, this appointment having been made under at a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited, the transitional body set up by the Local Government Association with delegated authority from the Secretary of State Communities and Local Government. Over recent years we have benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council's current external audit fees are £172,500 per annum.
- 1.3 When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
- 1.4 The scope of the audit will still be specified nationally, the National Audit Office is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

2. OPTIONS FOR LOCAL APPOINTMENT OF EXTERNAL AUDITORS

- 2.1 There are three broad options open to the Council under the Local Audit and Accountability Act 2014:

Option 1 - To make a stand-alone appointment

- 2.2 In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor (assuming there is no existing independent committee such as the Audit Committee that might already be suitably constituted).
- 2.3 The Chartered Institute of Public Finance and Accountancy has recently published guidance for establishing an Auditor Panel and this is attached at **Appendix 1**.

Advantages/Benefit

- 2.4 Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/Risks

- 2.5 Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the Local Government Association to cost in the order of £15,000 plus on going expenses and allowances.
- 2.6 The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- 2.7 The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Option 2 - Set up a Joint Auditor Panel/local joint procurement arrangements

- 2.8 The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/Benefits

- 2.9 The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- 2.10 There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/Risks

- 2.11 The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- 2.12 The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3 - Opt-in to a Sector Led Body

- 2.13 In response to the consultation on the new arrangement the Local Government Association successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body appointed by the Secretary of State under the Act. A Sector Led Body would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Advantages/Benefits

- 2.14 The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.
- 2.15 By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation.
- 2.16 Any conflicts at individual authorities would be managed by the Sector Led Body who would have a number of contracted firms to call upon.
- 2.17 The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The Local Government Association are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

Disadvantages/Risks

- 2.18 Individual elected members will have less opportunity for direct involvement in the appointment process other than through the Local Government Association and/or stakeholder representative groups.
- 2.19 In order for the Sector Led Body to be viable and to be placed in the strongest possible negotiating position the Sector Led Body will need Councils to indicate their intention to opt-in before final contract prices are known.

3. THE WAY FORWARD

- 3.1 The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
- 3.2 The Local Government Association (LGA) are working on developing a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a Sector Led Body. In order to the strengthen the Local Government Association's negotiating position and enable it to more accurately evaluate the offering the Council is asked to consider whether it is interested in the option of opting in to a Sector Led Body. A formal decision to opt-in will be required at a later stage.
- 3.3 The LGA Sector Led Body approach offers the potential for the lowest costs, as well as the lowest risk to the Council.

4. CONCLUSION AND NEXT STEPS

- 4.1 The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed the Audit Panel is asked to give early consideration to the preferred approach. External Auditors need to be appointed by the end of 2017 and therefore arrangements will need to be approved by March/April 2017 to allow the procurement exercise to take place.
- 4.2 The Treasurers across Greater Manchester and the North West need to discuss this issue to agree a preferred approach.

5. RECOMMENDATIONS

5.1 Members are requested to consider their preferred approach of either:

- Supporting the Local Government Association in setting up a national Sector Led Body by indicating intention to “opt-in”.
- Establishing a stand-alone Auditor Panel to make the appointment on behalf of the Council.
- Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities.
- Using an existing independent panel of the authority (this will only be applicable where a suitably constituted panel already exists).

5.2 A further report is brought to the Panel on the preferred approach to a future meeting, including details of any costs to be included in future years budgets.

Guide to

auditor panels



Department for
Communities and
Local Government

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Guide to

A large, dark grey backslash character is positioned to the left of the words 'auditor' and 'panels', extending from the top of 'auditor' down to the bottom of 'panels'.

auditor panels

Published by:

CIPFA \ THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY

77 Mansell Street, London E1 8AN

020 7543 5600 \ publications@cipfa.org \ www.cipfa.org

© December 2015 CIPFA

Designed and typeset by Ministry of Design, Bath
(www.ministryofdesign.co.uk)

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CHAPTER 1

Introduction

- 1.1** The Local Audit and Accountability Act 2014 (the Act) established new arrangements for the audit and accountability of relevant authorities as listed in Schedule 2 of the Act but including local authorities, clinical commissioning groups and police and crime commissioners in England.
- 1.2** These new arrangements include the ability of such bodies to appoint their own local public auditors via an auditor panel and this may be done either individually or jointly with one or more other authorities. Auditor panels must also advise the authority or authorities on the maintenance of independent relationships with the local auditor.
- 1.3** The Secretary of State for Communities and Local Government has decided to implement a phased introduction of the new local audit framework, with all health bodies¹ and smaller local government bodies moving to the new framework as planned on 1 April 2017 and larger local government bodies a year later, on 1 April 2018. In practice, this means that smaller local authorities must have appointed their local auditors by 31 December 2016 and larger principal authorities by 31 December 2017. The phased implementation for principal bodies will better enable audit firms to plan their workloads and retain suitably qualified staff, provide auditor stability for principal authorities for the 2017/18 audit period, and enable the sector to make timely arrangements for procurement under the new framework.
- 1.4** The purpose of this guidance is to set out the options available to local authorities in England for establishing an auditor panel; what form such a panel can take; the operation and functions of the panel; and the main task of the panel – that is, advising the authority in connection with the appointment of the local auditor.
- 1.5** The guidance is not statutory, nor does it prescribe any further requirements not already detailed in legislation. It has been drawn up to advise and inform authorities of what they need to be aware and bear in mind in this area.
- 1.6** Where explanations of the Act and associated regulations are given, these are not to be considered as legal interpretations. A list of the legislation referred to within this guidance is provided in chapter 8, with relevant extracts reproduced in appendix A.

1. Auditor Panel guidance for health bodies may be found at the HFMA website:
www.hfma.org.uk/NR/rdonlyres/67E73045-01FD-4B58-925D-C1FE0CA6078C/0/AuditorPanelGuidanceFINALSeptember2015.pdf

Establishing an auditor panel

CHAPTER SUMMARY

- Authorities may opt into any sector-led body that may be established as the appointing person under the Local Audit and Accountability Act and relevant regulations. If they decide to do so, they will not need an auditor panel.
- Authorities may also establish their own auditor panel to advise them on the appointment of their local auditor and there are four main options for this:
 - establish a separate and individual auditor panel, solely for the authority
 - set up a panel jointly with one or more other authorities
 - use an existing committee or sub-committee to act as the auditor panel (subject to compliance with the other provisions and regulations relating to auditor panels)
 - ask another authority's auditor panel to carry out the functions of the authority in question.
- There are possible advantages and disadvantages to each option but these are likely to vary according to the type of authority and its size, geographic location, etc.

- 2.1** In deciding whether and how to set up an auditor panel, relevant authorities (authorities) should consider the different options made available to them in the Local Audit and Accountability Act 2014 (the Act). The Act allows for flexibility in the arrangements, so authorities are able to choose which option will suit their local circumstances best.
- 2.2** Authorities may opt into any sector-led body that may be established to fulfil the 'appointing person' role as per section 17 of the Act and as detailed in the Local Audit (Appointing Person) Regulations 2015.² This guidance does not cover the operation of any sector-led body, nor does it set out the advantages or disadvantages of opting into such an arrangement, but authorities who do opt into such arrangements will not need to pursue further the options for establishing an auditor panel. Authorities are therefore advised to consider carefully all options available to them before making a final decision.
- 2.3** To summarise the options for establishing their own auditor panel, authorities may:
- a. set up their own separate and individual auditor panel
 - b. set up a panel with one or more other authorities
 - c. use an existing committee or sub-committee to act as the auditor panel (provided that it complies with the other provisions and regulations relating to auditor panels)
 - d. ask another authority's auditor panel to carry out the functions of the authority in question.

- 2.4** The main points to be taken into account when comparing the four main options for establishing an auditor panel are set out in the following table. For shorthand, the table refers to procuring but it should be remembered that auditor panels are acting in an advisory position. They will recommend to their authority or authorities which auditor to appoint but ultimately the responsibility for appointing the auditor rests with the authority itself.

CONSIDERING THE OPTIONS

- 2.5** Before authorities consider the possible advantages and disadvantages of each option, they will need to investigate whether there is an appetite to procure jointly with another authority or authorities, or solely. If there is a desire for a joint contract, it is more likely that a joint auditor panel will be best at advising on appointments under the same arrangements.

Option	Possible Advantages	Possible Disadvantages
Set up own separate and individual panel to oversee separate and individual procurement	<ul style="list-style-type: none">■ Full ownership of the process■ Fully bespoke contract with the auditor■ Tendering process more based on local circumstances (within EU procurement rules)	<ul style="list-style-type: none">■ May experience difficulties in appointing majority independent panel members and independent panel chair as per the regulations■ Will need to ensure that panel members are suitably qualified to understand and participate in the panel's functions■ Will have to cover panel expenses completely■ May not be able to procure at a lower cost, for example, depending on authority location, where there will be a risk of limited provider choice and a single authority contract may be less attractive to some providers■ Will not achieve economies of scale

Option	Possible Advantages	Possible Disadvantages
Set up a panel jointly with other authority/ authorities as part of a procurement exercise for joint contract covering more than one authority or multiple separate contracts	<ul style="list-style-type: none"> ■ Less administration than a sole auditor panel ■ Will be able to share the administration expenses ■ May be easier to attract suitable panel members <p>If procuring a joint audit contract:</p> <ul style="list-style-type: none"> ■ May still be a relatively locally tailored process ■ May be able to achieve some economies of scale <p>If procuring separate audit contracts:</p> <ul style="list-style-type: none"> ■ An opportunity for fully bespoke contracts with the auditor if the group of authorities can agree 	<p>If procuring a joint audit contract:</p> <ul style="list-style-type: none"> ■ May need to compromise on the arrangements or auditor contract ■ May not end up with first choice of auditor, compared to an individual auditor panel. If a large group of authorities work together and decide to appoint one joint audit contract across all the authorities, a joint panel may be more likely to advise appointment of an auditor it considers suitable for all authorities taken together ■ Need to agree appointment of members across multiple authorities and set up an appropriate joint decision-making process
Use existing committee or sub-committee	<ul style="list-style-type: none"> ■ Existing administrative structure in place ■ Existing (sub)committee should already have a better basic understanding of the authority's objectives and requirements 	<ul style="list-style-type: none"> ■ Possible need to appoint new (sub) committee members to comply with independence regulations
Use another authority's panel	<ul style="list-style-type: none"> ■ Will not have to set up an auditor panel ■ Arguably most independent option for the authority using the host authority's panel 	<ul style="list-style-type: none"> ■ The panel may not understand the specific needs of the authority ■ May need to enter into a formal arrangement with the other authority ■ May be difficult to find an authority willing to enter into such an arrangement ■ May be more difficult to ensure adequate liaison with authority's own audit committee (if one exists)

- 2.6** This is not an exhaustive list of the advantages and disadvantages of each option. Authorities may have other reasons to choose one option over another and the weighting that authorities place on each potential benefit or detriment may swing the balance to an overall decision one way or the other.
- 2.7** For example, it may be that a larger authority can attract not only a good level of competency in its auditor panel membership, but also a relatively high level of interest from audit providers keen to 'win' the authority's audit. Such an authority may therefore believe that having the ability to fully own the appointment process will bring economic as well as other benefits specific to its own strategic objectives.
- 2.8** Conversely, for a smaller authority, the prospect of attempting to appoint a majority independent auditor panel and independent panel chair may prove challenging. In such cases, joint procurement with one or more other authorities or asking a larger authority's panel to fulfil the role may be more appropriate.
- 2.9** An authority appointing panellists to its own auditor panel is required to take decisions on those appointments at full council. An authority choosing to share the auditor panel of another authority will want to satisfy itself that the decision to do so is being taken on an informed basis and at a level considered appropriate by the authority. Advice from relevant officers and members may have a role to play in making the decision.

JOINT PANELS OR USING THE PANEL OF ANOTHER AUTHORITY

- 2.10** When considering whether to create an auditor panel jointly with one or more other authority, the operational arrangements of such a panel needs to be taken into account in advance.
- 2.11** For example, it may be that one authority takes a nominated lead role in the establishment and running of the panel, or that each authority separately recruits a set share of the panel members.
- 2.12** Authorities will need to decide whether to procure jointly in a single tender process (ie for one audit contract that covers all the authorities) or whether to procure separately for each authority, as this will affect the operation of the panel. Authorities could tender the requirements through lots – these can be based on geographic location or for each individual authority. This decision may not need to be finalised until after the various options have been investigated.
- 2.13** A joint auditor panel, once established, can advise on the procurement of audit contracts by the authorities involved collectively and also on audit contracts to any subset of those authorities.
- 2.14** For example: A, B and C authorities jointly procure an audit contract for those authorities' accounts; A and B jointly procure an audit contract for the accounts of a joint committee they share, while C, not being a constituent of that joint committee, does not take part.
- 2.15** Alternatively, A, B, and C might share the joint committee and procure an auditor jointly to audit that joint committees accounts, yet only A and B decide to procure their auditors jointly.

- 2.16** In both cases, the auditor panel of the authorities concerned will advise on any audit procurement by those authorities. The panel can also advise its authority on whether joint or separate audit procurement is ideal for that authority's circumstance.
- 2.17** It is possible for separate auditor panels to advise on a joint audit appointment, so long as the auditor panel's authority is involved in that appointment. However, this is clearly a logistically challenging approach and authorities will need to consider carefully whether the benefits of such an approach would outweigh the possible difficulties.

USING AN EXISTING AUTHORITY COMMITTEE OR SUB-COMMITTEE

- 2.18** Another option available to authorities is to use an existing committee or sub-committee, such as the audit committee. Authorities may also create a sub-committee of an existing committee and this may be the most sensible method to draw on the expertise of an existing committee since it allows the sub-committee membership to be small enough for the respective number of independent panel members to be manageable.
- 2.19** There are advantages to this approach, particularly where an authority already has an independent audit committee chair or independent committee members.
- 2.20** In any case, it will be necessary to change the terms of reference of the committee being utilised as the authority's auditor panel to reflect the additional responsibilities of the committee and its members. An accurate terms of reference document will assist members of the committee in performing their respective committee and auditor panel duties without conflict of interest.
- 2.21** Where an authority does choose to utilise an existing committee or sub-committee in this way, it is important not to overlook Schedule 4, paragraph 6 of the Act. This essentially means that where there is other legislation that particularly applies to committees of local authorities, such enactments may not apply to a committee or sub-committee when it is acting as the auditor panel, for example those set out in section 100 of the Local Government Act 1972, which relate to the admission of meetings and access to agendas and other reports. However, the Local Audit (Auditor Panel) Regulations 2014 9 and 10 do reapply some of the enactments and authorities will need to ensure that they comply with all relevant legislation.
- 2.22** The relationship between the auditor panel and the audit committee, where the two bodies remain completely separate, is discussed later in this guidance in chapter 4.

USING THE AUDITOR PANEL OF ANOTHER AUTHORITY

- 2.23** The Act has provided for the ability of one authority to use another authority's auditor panel to act as its own, without having to create a joint panel in the first instance.
- 2.24** For the commissioning authority, this may be considered to be the most independent option, given that the panel members will have been appointed in an entirely separate process. There is also the advantage of not having to go through the appointment process from the start, although the commissioning authority will need to ensure that there is still a majority of members of the panel that are independent of itself – members that are independent

of the host authority may not automatically be eligible as independent members to other authorities, so authorities that pursue this option either as the host or as the recipient will need to ensure that there are checks in place on this point.

- 2.25** As set out in the table above, it is likely that commissioning authorities will need to draw up a formal arrangement with the host or provision authority that covers the functions of the panel to be carried out and confidentiality and independence clauses as necessary.

Appointing and operating the auditor panel

CHAPTER SUMMARY

- The minimum number of members that an auditor panel must have is three.
- There must be a majority of independent members as well as an independent chair. For a panel meeting to be quorate, there must be a majority of independent members present at the meeting.
- For joint auditor panels, it is likely that each authority will want to have representative members. For each additional member, there will need to be an additional independent member.
- Specific regulations clarify how independence is to be defined for the purposes of auditor panels.
- Panel members should have a certain level of specific knowledge and experience to ensure that the panel carries out its duties effectively. Authorities will need to ensure that they draft panel member job descriptions carefully and advertise widely enough to reach those potential candidates with the correct skills and experience and maximise the number of suitable applicants for those vacancies.
- Panel members may be paid an allowance and any reasonable expenses covered, but it is for authorities to determine such arrangements themselves.

COMPOSITION OF THE PANEL

- 3.1** The composition of the panel will be a key factor in achieving the characteristics of a good auditor panel. The Local Audit (Auditor Panel) Regulations 2014 (the Auditor Panel Regulations) are clear that the minimum number for an auditor panel is three members, of which at least two must be considered independent in line with the Local Audit (Auditor Panel Independence) Regulations 2014 (the Independence Regulations).
- 3.2** Authorities should therefore not be put off with the idea that auditor panels will be large; the quality of the panel members is of more importance than having an excessive number of members round the table. However, it is worth noting that the depth of knowledge and experience that is desirable may be harder to achieve with a small number.
- 3.3** That said, the requirement for an independent majority of members has a clear purpose and this must not be undervalued: it is the key mechanism for maintaining independence and separation between the auditor and the auditee. It ensures that the panel is able to fulfil its

statutory duty to advise the authority on maintaining an independent relationship with its auditor as well as on selection and appointment of its auditor.

- 3.4** In the case of joint auditor panels, any number of authorities can share a three-person panel to advise on their audit appointment, but it may be anticipated that authorities will wish to appoint their own representative members (although this is not required), which may in turn increase the size of the panel. In such cases, authorities must ensure that for each additional member, there is an additional independent member who is independent of all the authorities involved.
- 3.5** Authorities will need to set up a process to address incidental vacancies in their auditor panel membership, especially in the case of panels with a smaller number of members.
- 3.6** It is important to note that proceedings of the auditor panel will not be valid unless the meeting is quorate; that is, it is not sufficient that there is a majority of independent members who have been appointed to the panel – the majority of those present at a meeting must be independent. Where the chair cannot attend a meeting for any reason, another independent member must assume that role.

INDEPENDENCE

- 3.7** The Independence Regulations amend the Act and clarify further how independence is to be defined for the purposes of auditor panels.
- 3.8** The main areas through which independence may be impaired are where the panel member has:
- previous involvement within the last five years as a member or officer with the authority or another, connected authority or an officer or employee of a connected entity
 - a relationship (familial or friendship) with a member or officer of the authority or a connected authority or with an officer or employee of a connected entity
 - a contractual (commercial) relationship with the authority – either as an individual or via a body in which the panel member has a ‘beneficial interest’, and
 - a possible conflict of interest through being a prospective or current auditor of the authority or, within the previous five years, is or has been:
 - an employee of such a person
 - partner in a firm, or
 - director of a body corporate³
- which is a prospective or current auditor of the authority at the given time.
- 3.9** ‘Prospective’ auditor is defined as having made a bid to be contracted as the authority’s auditor and this bid has yet to be declined or withdrawn. There is therefore a small but important difference between ‘prospective’ and ‘future’, where any audit provider could be considered to be a potential future auditor but would not fall under the definition of a prospective auditor under this legislation.

3. A company or other body recognised as such having its own legal identity and responsibilities.

- 3.10** Panel members can also be disqualified under section 104(1) of the Local Government Act 1972, which covers specific areas of disqualification for membership of committees and joint committees.
- 3.11** It should be noted that there is no precise definition of ‘close friend’, as mentioned in paragraph 2(2)(d) of the Independence Regulations. The term was first used within the Localism Act 2011, but without definition, and the Independence Regulations have not subsequently defined what constitutes a ‘close friend’. Therefore, authorities will have to take each panel member’s relationships with its members and officers, and those of other connected authorities and entities, on a case-by-case basis, taking legal advice where issues arise.
- 3.12** In order to facilitate this process, it is suggested that panel members make declarations of interest that cover their family relationships and friendships, as well as any commercial relationships that may bar them from sitting on an auditor panel for any particular authority.
- 3.13** There are other situations that, while not set out in legislation as being barriers to independence, nevertheless may provide apparent conflicts of interest. For example, appointments that are overtly political or made through personal association of any member or officer of the authority; an appointment of a member of another (unconnected) local authority; or appointment of a working auditor. Such positions may not completely disqualify a potential panel member, however, as only a majority of members are required to be independent under the legislation, but such individuals may still be able to contribute greatly to the working of the panel.
- 3.14** Authorities are reminded that such appointments may still lead to perceptions of partiality, even with a majority of independent members sitting on the panel, and are advised to draw up safeguards against such accusations. An example may be where a panel member satisfies the requirements for being an independent member but is separately a member of a political party or known to have views closely associated with the policy of a particular party. It is therefore a good idea for panel members or potential members to declare, even if in doubt, something that may constitute a conflict of interest.

KNOWLEDGE AND EXPERIENCE

- 3.15** An effective panel composition not only takes into account the independence of its members, but also considers their skills and abilities. There is a wide range of knowledge and experience that members can bring to a panel and that will enable it to perform effectively. No one panel member would be expected to be an expert in all areas, but there may be some core areas of knowledge that members will need to acquire.
- 3.16** In addition, there are also specific skills that the panel chair will need. Many of these skills are not unique to the role of auditor panel chair and experience in other positions or non-executive roles should have helped to build these skills.
- 3.17** Evidence of appropriate skills and knowledge should be sought when appointing members to the panel, particularly for independent members whose skills may not already be known to the authority.

- 3.18** The following list sets out some key areas in which at least some general knowledge and experience will be desirable in a panel member:
- a. local authority finance
 - b. accountancy (public sector or commercial)
 - c. audit processes and regulation (public or private sector, external/local audit or internal audit), including more specifically,
 - d. the role and responsibilities (statutory duties) of a local public auditor in local government.
- 3.19** Other useful knowledge and experience may include knowledge of the authority itself; local government governance arrangements; the role and operation of the auditor panel; procurement; values of good governance and ethics; and law.
- 3.20** Authorities can tailor these lists to their own local circumstances. They may also wish to distinguish between core areas of knowledge that all panel members should seek to acquire and a range of specialisms that can add value to the panel.

ROLE OF THE PANEL CHAIR

- 3.21** The legislation does not specify whether the panel chair should be recruited into the role or appointed from the existing independent members of the panel. Both methods are equally suitable and it is up to the authority (or authorities in the case of a joint panel) to decide whether to recruit for an independent chair separate to the other panel members or not.
- 3.22** Whether undertaken during recruitment or afterwards, ideally the selection of the chair will take into account the characteristics required of an effective chair. These include:
- a. ability to plan the work of the panel with a clear focus on its role
 - b. skills of managing meetings
 - c. ability to bring an objective, apolitical attitude
 - d. core knowledge and skills required of panel members
 - e. ability to form good working relationships within the authority
 - f. in the case of joint auditor panels especially, the ability to manage authorities' as well as members' potentially differing priorities.
- 3.23** The tenure of the panel chair remains a matter for the authority, just as it does for all panel members, as set out in the Auditor Panel Regulations. In making this decision, however, it should be recognised that providing continuity in the post of the chair can help the panel to develop greater knowledge and expertise.

AUDITOR PANELLIST APPOINTMENT PROCESS

- 3.24** A panel member job description should be drawn up and agreed before commencing recruitment and the requirement or desire for relevant knowledge or expertise should be clearly determined. Vacancies must be publicly advertised, as is good practice for any public appointment, but particularly as a person may only be appointed as an independent member

of an auditor panel if that vacancy has been advertised in accordance with the Auditor Panel Regulations.

- 3.25** Panel vacancies must be advertised to reach those potential candidates with the correct skills and experience and to maximise the number of suitable applicants for those vacancies.
- 3.26** The primary considerations when considering panel membership should be independence, then maximising the panel's knowledge base and skills in line with its functions. Candidates should be able to demonstrate their independence, and their suitability should be checked.
- 3.27** Terms of office should be decided upon in advance by the authority and provision should be made for early termination and extension to avoid lack of clarity in the future.
- 3.28** Authorities will need to ensure that they begin the recruitment process in a timely manner so that the auditor panel is in operation with sufficient time allocated to tender, receive bids and ultimately provide a recommendation for appointment to the authority before the deadline set out in legislation.⁴ (It should be noted that the auditor appointment process itself is likely to take months rather than weeks and therefore a project timetable will be of use.)
- 3.29** In any year of auditor appointment, the time commitment required of panel members is likely to be greater than in intervening years, extraordinary events notwithstanding. However, that is not to discount the general role that the panel has to play in advising the authority on maintaining an independent relationship with its auditor.
- 3.30** As mentioned in 3.27, the Auditor Panel Regulations state that it is the duty of the authority to set the terms of office for panel members. There are different options available to authorities, such as aligning the terms to the length of the audit contract, but it may also be advantageous to ensure that panel members are not replaced or recruited just before the audit appointment process is to begin as it will arguably be more useful for panel members to be familiar with the authority and their role during that process.
- 3.31** Authorities may also wish to consider whether terms of office will be renewable after a fixed length of time and whether those fixed terms will be the same for each panel member. If terms are to be renewable or differ in length, this will most likely cause variances in terms of office between members and will need to be monitored and managed by the administrative authority to ensure continuity.

SELF-ASSESSMENT AND TRAINING

- 3.32** Panel members should be willing to review their knowledge and skills over their term of office, for example as part of a self-assessment process or training needs analysis. Regardless of the knowledge and skills a member has when joining the panel, there needs to be a commitment to participate in training and development to ensure that knowledge is kept up to date.
- 3.33** This may include, for example, being kept informed of the authority's strategic objectives and financial position; the role of the public sector local auditor; or training on specific areas such as limited liability agreements or procurement. Carrying out a skills gap analysis when

4. *7(1) A relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.* Source: Local Audit and Accountability Act 2014.

a panel is appointed and monitoring knowledge and competencies during the tenure of the panel will assist in this.

- 3.34** The next chapter looks into the type of support that authorities should provide their auditor panel.

THE RESIGNATION OR REMOVAL OF MEMBERS

- 3.35** The legislation does not mention what may occur when a member resigns, although, as mentioned in 3.5 above, arrangements for such occasions should be considered and drawn up at the establishment of the auditor panel itself.
- 3.36** The Auditor Panel Regulations refer to the removal of panel members on disqualification, but it is assumed that this will be a highly unusual occurrence. However, authorities should maintain a register of any potential conflicts of interest and monitor this regularly for any possible impairment of panel member independence.

ALLOWANCES AND EXPENSES

- 3.37** The Auditor Panel Regulations state that it is for the authority to determine what allowances it will pay to the members of its auditor panel. The Act also states that authorities must meet the 'reasonable expenses' of its auditor panel when carrying out its duties.
- 3.38** Such expenses and allowances may include payments for travel and subsistence when attending auditor panel meetings, but this is for each authority to decide in advance of establishing their auditor panel and must be agreed with any other authority concerned in the case of joint auditor panels. Authorities will probably wish to ensure that these allowances are consistent with other similar allowances it pays.

The functions of the auditor panel

CHAPTER SUMMARY

- The auditor panel must advise the authority on:
 - the selection and appointment of the auditor
 - whether the authority should adopt a policy on obtaining non-audit services from the auditor, including the contents of such a policy
 - any proposal by the authority to enter into a liability limitation agreement
 - maintaining an independent relationship with its auditor
 - the outcome of any investigation of an auditor's resignation from office, if this occurs, or on any proposal to remove a local auditor from office.
- Authorities need to provide administrative/secretariat support as well as direct officer support in the form of providing advice on certain areas both during and outside of panel meetings.
- Where an audit committee exists, there may be some overlap between the auditor panel and the committee. There are specific issues to bear in mind whether the panel and committee are separate, or where an existing audit committee undertakes to fulfil the statutory auditor panel role.

WHAT THE PANEL DOES, AND HOW IT DOES IT

- 4.1** The functions of the auditor panel are set out in Local Audit and Accountability Act 2014 (the Act) and also the Local Audit (Auditor Panel) Regulations 2014 (the Auditor Panel Regulations).
- 4.2** In summary, the auditor panel must advise the authority on:
- the selection and appointment of the auditor
 - whether the authority should adopt a policy on obtaining non-audit services from the auditor, including the contents of such a policy
 - any proposal by the authority to enter into a liability limitation agreement (see chapter 7 for more information on this)
 - maintaining an independent relationship with its auditor
 - the outcome of any investigation of an auditor's resignation from office, if this occurs, or on any proposal to remove a local auditor from office.

- 4.3 The auditor panel is also included under legislation in any discussions and receipt of relevant documents relating to public interest reports. See chapter 7 for more on this area.
- 4.4 There is no specific mention of the auditor panel carrying out oversight of contract management for the life of the auditor appointment, but it would be helpful for the panel to be involved in this role. Further on this can be found later in this chapter.

ADMINISTRATIVE ARRANGEMENTS

- 4.5 The frequency of meetings is a matter for each authority to determine, based on where in the audit contract cycle it is and any other circumstances that may require the panel to discharge some of its other functions. The scheduling of meetings may be further complicated where the panel is jointly run with another authority or authorities and where the panel role is performed by an existing committee or sub-committee of the authority.
- 4.6 Typically, it would be expected that when undertaking the auditor appointment process, the panel will need to meet more frequently with several meetings concentrated in a shorter time period. Conversely, in the middle of an effective auditor contract, with no additional complications such as public interest reports or an abrupt end to the auditor contract, the panel will wish to meet more infrequently, focusing on the monitoring of the contract's operation.
- 4.7 As mentioned in chapter 3, the panel will not be quorate unless there is a majority of independent panel members present at the meeting. It is not sufficient to have a majority of independent members appointed to the panel. Therefore, once meeting dates have been finalised, in order to minimise the need to reschedule meetings, the importance of attending meetings in person should be impressed upon panel members.
- 4.8 Overall, care should be taken to balance the frequency of meetings against the need to give the business of the panel sufficient focused attention without lengthy and unproductive meetings. Equally, the panel should review whether some time-consuming aspects of its business could be more effectively addressed elsewhere. In making such judgements, the panel must have regard to its statutory duties. Care should be taken to avoid straying into matters of operational detail that should be resolved by officers or committees of the authority.
- 4.9 The skilful chairing of meetings with well-planned agendas should provide one mechanism for avoiding this danger but officer support also plays a key role here, as such support will include providing clarity about the panel's role during and outside of meetings. Not only will the authority need to supply a room in which the panel can hold its meetings, plus secretariat support including the assembling of papers and meeting agendas, in conjunction with the panel chair, but direct officer support will also be required.

INDEPENDENCE FROM AND THE RELATIONSHIP WITH THE AUTHORITY

- 4.10** It is likely that there will be occasions when it will be desirable or even necessary to hear evidence from external sources, including the current auditor or prospective auditors and possibly the chair of the audit committee. A number of officers will have an important relationship with the panel, including:
- head of paid service or chief executive officer (CEO)
 - chief financial officer (s151 officer)
 - head of internal audit
 - head of procurement or the lead procurement officer for the audit contract.
- 4.11** The panel will need specific, direct officer support to allow it to function effectively. In addition to the secretariat support needed to run such a panel, it will be crucial for there to be an officer on whom the panel can call for advice as needed both during and outside of meetings. This advice may cover areas such as factual advice around the legislation, an authority's standing financial orders, procurement policy, etc, and it is imperative that such advice remains independent.
- 4.12** In the course of monitoring the audit contract, it may be helpful to invite other officers to meetings to give context to any discussions about quality. See paragraphs 4.16 onwards for further guidance in this area.
- 4.13** In the case of a joint auditor panel, it may be that the authority desires for a senior officer to attend meetings as an observer, if not as a full member of the panel. However, the panel chair will need to pay attention that meetings do not get overcome with the contributions of non-members to the detriment of the panel's business and independence.
- 4.14** It may be appropriate to consider how the panel operates outside formal meetings. There may be a need to keep panel members briefed on issues that are on the agenda and other matters may be too detailed for inclusion on the agenda. For example, external audit reports may be provided in full to panel members, but may be included on the meeting agenda only where there are significant matters to be discussed.
- 4.15** Further details on the relationship with the authority are set out in Part 3, paragraph 11 of the Act.

MONITORING THE AUDITOR CONTRACT

- 4.16** The auditor panel may find it valuable to draw up a range of performance metrics by which the auditor contract can be measured. The website of the transitional body Public Sector Audit Appointments Ltd (PSAA),⁵ set up to make appointments, set the terms of those appointments and decide on fees in the interim period before the new arrangements come into force, contains examples of such monitoring reports covering the past few years. Although these are at a higher level than auditor panels may want to use, they are still a useful indicator of the types of performance areas on which the panel may need to focus.

- 4.17** When the auditor panel is reviewing the contents of any policy relating to purchasing non-audit services that the authority may adopt, and whether the authority should adopt that policy, it may be beneficial to obtain the advice of the audit committee, whose members should have experience and knowledge of the types of non-audit work that may be undertaken.
- 4.18** Specifically, the Auditor Panel Regulations state that the auditor panel should advise the authority on the contents of the policy, including the circumstances in which the authority should ask the panel for advice in purchasing non-audit services and in which the authority should or should not purchase such services from the auditor. These are areas of which the audit committee should have knowledge and experience and its input will be useful.
- 4.19** However, regardless of any advice that the audit committee can give in this area, it is important that panel members are familiar with the regulatory framework within which local auditors operate and in particular the ethical standards. This will enable panel members to have the background knowledge required to fulfil the panel's role in advising the authority on adopting a policy on the purchasing of non-audit services and the content of such a policy, if adopted.
- 4.20** In addition, in recognition of the extra responsibilities placed on local auditors in relation to the proper expenditure of public money and achieving value for money, PSAA place requirements on auditors above and beyond those set out in the ethical standards, which the panel may wish to consider. These are detailed in the terms of appointment published on the PSAA website,⁶ with paragraphs 2.6 and 2.7 and 2.22 to 2.38 of particular relevance to panel members.

RELATIONSHIP WITH AUDIT COMMITTEE

- 4.21** The auditor panel and the authority's audit committee, where one exists, will have a close working relationship in some areas of the panel's duties. This will be the case whether the panel is a standalone group or a sub-committee of the audit committee and closest where the audit committee is fulfilling the role of the auditor panel.
- 4.22** It would be useful to set out the audit committee's core role in relation to external audit, as detailed in CIPFA's publication *Audit Committees: Practical Guidance for Local Authorities and Police*:

The audit committee's core role in relation to external audit

- 4.35** The audit committee's role should include receiving and considering the work of the external auditor. The committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work in order to monitor the action to be taken. The committee should contribute to the authority's response to the annual audit letter.
- 4.36** The audit committee should support the quality and effectiveness of the external audit process through:

6. www.psaa.co.uk/wp-content/uploads/2006/09/75-10-6-2-Appointment-from-1-April-2015.pdf

- Expressing an opinion on the selection and rotation of the external auditor.
- Reviewing how external audit plans fit with the agreed engagement and being satisfied that the planned resources and team composition have the required seniority, expertise and experience to undertake the engagement.
- Assessing the effectiveness of the external audit process, including whether the external auditor has a good understanding of the authority, how the external auditor has met the audit plan, and feedback from key people such as the responsible financial officer and the head of internal audit.
- Reporting to full council or the police and crime commissioner or chief constable or other body as appropriate on the results of the review.
- Supporting the implementation of recommendations from the external auditor.
- Reviewing the authority's policy on non-audit work by external audit and details of any non-audit work actually undertaken.

4.37 In monitoring the quality of the external audit provision, the audit committee should be briefed on any relevant issues around quality that emerge from the regulation of external audit – for example, the quality reports from the Financial Reporting Council.

4.38 There should be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

4.39 Reports from inspection agencies can be a useful source of assurance about the authority's financial management and governance. The audit committee should have access to inspection reports as a source of assurance and compare the findings with any relevant internal audit and external audit reports. Inspection reports will need to be actioned by the corporate or appropriate departmental management team, but the audit committee has a role in monitoring such action to ensure that a consistent approach is adopted and that the various agencies have one recognisable point of entry into the authority.

Source: Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition), CIPFA, 2013

4.23 There are three clear overlaps with the audit committee and auditor panel's duties, including:

- a. The quality and effectiveness monitoring role undertaken by the audit committee which will feed into the panel's contract monitoring.
- b. The audit committee should be able to express an opinion on the selection and rotation of the auditor.
- c. The audit committee reviews the authority's policy on non-audit work carried out by external audit whereas the auditor panel has to advise the authority on the contents of any non-audit work policy and whether the authority should adopt such a policy.

4.24 There are specific points to be mindful of with regards to these three areas, both where the audit committee is carrying out the functions of the auditor panel and where they are completely separate entities.

SEPARATE AUDITOR PANEL AND AUDIT COMMITTEE

- 4.25** While the audit committee has a more regular and detailed role in monitoring the quality and effectiveness of the external auditor, the auditor panel's monitoring role is mainly going to be most important when nearing the end of the auditor contract, especially if the auditor indicates that they wish to bid to extend or renew their contract.
- 4.26** In that situation, communication between the audit committee and the auditor panel, most likely via the respective chairs, needs to include open sharing of any performance data related to the audit process collected by the audit committee and possibly informal or formal discussions with the panel about the auditor's effectiveness over the lifespan of the contract. This will allow the audit committee to express an opinion on the selection and rotation of the auditor, at least where the current (and possibly prospective) auditor is concerned.

AUDITOR PANEL PERFORMED BY THE AUDIT COMMITTEE OR WHERE THE PANEL IS A SUB-COMMITTEE OF THE AUDIT COMMITTEE

- 4.27** Legislation is clear that where the auditor panel function is performed by an existing committee or sub-committee of the authority, that committee has to ensure that it discharges the auditor panel duties separately, as if it were not a ratified committee of the authority.
- 4.28** Therefore, in relation to the three key areas of overlap between an auditor panel and the audit committee, if that is the committee chosen to fulfil the role of the panel, there needs to be clear demarcation between the respective duties of the panels.
- 4.29** The role of the chair in such a situation is vital, ensuring that members are clear about their purposes at any given time and that while their role in one entity can inform their position in the other, the decisions are to be made independently from each other. As mentioned previously, officer support will also be key.

CHAPTER 5

Appointing the auditor

CHAPTER SUMMARY

- Although authorities will need to comply with their own policies and procedures, there are five key stages of the appointment process which are likely to be common across authorities:
 - decide on the appointment process
 - determine the important criteria to be considered when selecting the auditor
 - evaluate expressions received
 - final evaluation of tenders
 - recommendation to the authority.
- There are two main types of output from the appointment process: that coming from the auditor panel and that which is issued by the authority.

THE MAIN STATUTORY DUTIES OF THE AUDITORS

- 5.1** The Local Audit and Accountability Act 2014 (the Act) sets out the general duties of 'local auditors' in respect of authorities as follows:
- a. The auditor must, by examination of the accounts and otherwise, be satisfied that the accounts comply with any legislative requirements that apply to them; that proper practices have been observed in the preparation of the statement of accounts; and that the statement presents a true and fair view.
 - b. The auditor must also be satisfied that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 5.2** Auditors have to follow the National Audit Office's (NAO) *Code of Audit Practice*, which came into force on 1 April 2015, as well as having regard to any supporting guidance issued by the NAO.⁷ This is a principles-based statutory Code that prescribes the way auditors must carry out their functions.
- 5.3** The main statutory duties are summarised at appendix C, but can be divided into three main areas:
- a. audit scope

7. The Comptroller and Auditor General (C&AG) has legal responsibility for the production and maintenance of the *Code of Audit Practice*. The NAO undertakes operational work in respect of the Code on behalf of the C&AG and is the body that readers of this guidance should engage with in respect of Code-related matters. Consequently, this guidance refers to 'the NAO's *Code of Audit Practice*' throughout.

- b. reporting – to express an audit opinion, consider issuing a public interest report, etc
- c. additional powers and duties – such as giving electors the power to inspect the draft accounts and make objections against those accounts.

KEY STAGES OF THE APPOINTMENT PROCESS

- 5.4 Authorities will have their own procurement/appointment policies and it is paramount that they comply with such prerequisites but, in general, there will be five main stages, as summarised in the following table:

Stage	
1 Decide on the appointment process	<p>The first step is for the authority to decide whether to appoint an auditor panel using one of the four options (set out in chapter 2) or whether to use the sector-led body to appoint the auditor.</p> <p>Next, the timetable must be drawn up, taking into account EU procurement rules.⁵</p> <p>At this stage, the authority may wish to decide upon the contract length.</p> <p>The authority will need to issue an Office of the Journal for the European Union (OJEU) Contract Notice and within 24 hours of this being published (or if not published, within 48 hours), publish the notice in Contracts Finder.</p>
2 Determine the important criteria to be considered when selecting the auditor	<p>It is likely that authorities will use the restricted procedure under the Public Contracts Regulations 2015. This is a two-stage tender process: at the first stage, bidders complete a Pre-Qualification Questionnaire (PQQ) and this will be assessed (it is used to establish an organisation's commercial, technical and financial capabilities and provides a method of shortlisting interested parties meeting the required minimum qualification criteria). During this first stage, there is no assessment of how the bidders will meet the tender requirements.</p> <p>Under the new Public Contracts Regulations 2015, authorities have to get all the tender documents ready before they issue the contract notice. This includes all the evaluation criteria, descriptive documents and audit specifications.</p> <p>This stage may involve obtaining input from sources external to the auditor panel, for example the audit committee, the CEO and the CFO.</p> <p>Criteria may include such areas as:</p> <ul style="list-style-type: none"> ■ audit team experience ■ quality of service ■ price ■ added value ■ range of non-audit services. <p>The factors decided upon should be given a weighting so that each tender can be fairly assessed.</p>

8. European Union procurement rules require authorities to advertise in OJEU where the estimated total contract value (over the duration of the contract) exceeds £172,514 for other public bodies and £111,676 for Schedule 1 entities. Contracts for external audit services tend to exceed the OJEU threshold.

Stage	
2 Determine the important criteria to be considered when selecting the auditor (continued)	<p>The authority will have to comply with strict procurement timescales where they must allow 30 days for bidders to express an interest and then allow another 30 days for submission of tenders (this can be reduced by five days where the tender can be received electronically).</p> <p>Another option is the open procedure, which is a one-stage procedure where bidders complete all tender documents (the PQQ and tender response) at the same time. The authority evaluates the bids and then evaluates the PQQ part of the submission. The disadvantage with this procedure is that the authority may be inundated with large numbers of tenders, and will be required to evaluate all the bidders.</p> <p>Once the PQQ shortlisting has been completed, only invited bidders under the restricted procedure will complete the Invitation To Tender.</p>
3 Evaluate expressions received	<p>The auditor panel should evaluate the tenders against the published criteria established at the outset of the procurement exercise.</p> <p>Under the procurement rules, authorities are not allowed to hold presentation meetings and award marks for the pitch. Presentation meetings can only be used for the purposes of clarifying the written tender submissions. The evaluation criteria that are used will be as stated in the original procurement documents.</p>
4 Final evaluation of tenders	<p>Once the tender submissions have been evaluated, the authority will have to undergo a mandatory ten-day 'standstill period'. It will inform all bidders who have not been successful by sending them an Award Decision Letter.</p> <p>Once this formality has been completed, the authority can enter into the contract with the successful bidder. It will be required to issue a Contract Award Notice in OJEU and now also through the Contracts Finder portal.</p>
5 Recommendation to the authority	<p>The auditor panel must give advice to the authority on the selection and appointment of the auditor. This advice, or a summary of it, must be published within 28 days of appointing the auditor.</p> <p>When the authority does not follow the advice given to it by the panel, it must also set out the reasons why it has not done so in the same notice.</p>

- 5.5** It is important to design the process for decision making in stages 1 and 2. Ensuring that the evaluation criteria and weighting are absolutely clear and resilient at an early stage, applying them consistently and fully documenting them, will make the process more secure against possible challenge.
- 5.6** If taking advice from officers on the evaluation criteria, the panel needs to be mindful as to whether any of these criteria might disadvantage some suppliers; for example, if too much weight is placed on track record of equivalent contracts and national capacity, this might exclude smaller regional suppliers.
- 5.7** An authority's auditor must be eligible for appointment in accordance with the Act. However, in addition to the statutory baseline set out in the legislation, the auditor panel may also wish to look at other desirable qualities that the audit firm or team possesses. This would fall under the criteria established in stage 2 of the appointment process.

- 5.8** For example, the firm may have expertise in a specific non-audit area in which the authority needs specialist advice. Or perhaps the audit team has particular local knowledge or experience of similar or neighbouring authorities that the procuring authority believes would be of great benefit.

KEY PROCUREMENT PRACTICALITIES

- 5.9** First, it is important to note that procurement regulations as set out above as well as the authority's own procurement rules and standing financial orders must be followed. Joint committees will need to establish whether to follow the procurement rules of the lead authority or agree rules between the constituent authorities. Such discussion will need to take place early on in the process, with the involvement of the authorities' procurement and legal departments.
- 5.10** It may be necessary to enlist the help of the authority's procurement specialists to give the auditor panel the essential knowledge it will need to direct the appointment process effectively. Where more than one authority has collaborated to create a joint auditor panel, for advising on the appointment of either a joint contract or multiple separate contracts, potentially with different audit firms, care will need to be taken to ensure that arrangements do not contravene an individual authority's own rules and standing financial orders.
- 5.11** Areas of procurement that the panel may need advice or training on include, but are not limited to:
- a. the legal framework of procurement
 - b. value for money (for example by focusing on outcomes and selecting on quality as well as price)
 - c. evaluating tenders
 - d. commercial confidentiality
 - e. conflicts of interest.
- 5.12** Careful preparation of the invitation to tender documents is also of great importance. A clearly set out scope for the service to be provided will assist the auditor panel in evaluating the bids that are received and also gives prospective auditors a specific idea of what is important to the authority and what it wants most from its auditor.
- 5.13** The desired contract length will obviously need to have been decided at an early stage in the process. A term of three to five years would be appropriate as the Act states that authorities must make an appointment at least once every five years, but the contract duration is for the authority to determine.
- 5.14** Authorities may also consider the possibility of including additional audit-related work within the scope of the appointment (for example, grant claims work). This may avoid separate procurement exercises being required should additional assurance requirements be introduced once audit contracts are in place.
- 5.15** For authorities who have joint committees, they will be aware that such committees no longer need to produce separate accounts and therefore are no longer required to be separately audited. However, they may already have existing obligations to produce audited accounts

and authorities must check whether their existing joint committees have such obligations in place. Even if they do not exist, constituent authorities may consider it appropriate to arrange for dedicated audit scrutiny of their joint committees, in addition to the statutory audit of their own accounts. Where authorities intend to take this route in addition to making their own auditor appointment, they should consider taking the advice of their auditor panel, although for a joint committee with a large number of constituent authorities, this may be difficult logistically.

- 5.16** Chapter 6 looks more closely at auditor resignation and removal but authorities should note that the appointment process after the resignation or removal of the auditor must take no longer than three months from the date when the auditor ceases to hold office. If the replacement auditor is not appointed within that time, the authority must notify the secretary of state.

OUTPUTS FROM THE APPOINTMENT PROCESS

- 5.17** There are two main types of output from the appointment process – that coming from the auditor panel and that which is issued by the authority.
- 5.18** The auditor panel will produce its advice on the selection and appointment of the auditor, whereas the authority has to publish a notice, within 28 days of the appointment being made, that includes information such as the name of the auditor; the length of the appointment; the advice, or a summary of the advice, from the auditor panel; and, where it has not accepted that advice, the reasons why not. (Note that the full list of contents is set out in the Act.)
- 5.19** This notice must be published on the authority's website or in another format if the authority considers that it will reach the people who live within its area. The notice may leave out any information that could prejudice commercial confidentiality, unless it is in the public interest to publish such information.
- 5.20** Where the authority disagrees with the auditor panel's proposed selection and appointment recommendation, the legislation simply states that it must state publicly the 'reasons why'. Evidently these reasons must originate in discussions that have taken place within the authority but it could be expected that such reasons may be made on the basis of:
- a. the cost of the proposed appointment
 - b. a change in circumstances at the authority that makes the suggested selection no longer valid
 - c. a change in the evaluation criteria or weightings that lead to another bid being more acceptable (although the criteria and weightings should be drawn up robustly and tested to avoid such an occurrence), or
 - d. some misunderstanding on behalf of the auditor panel, as perceived by the authority.
- 5.21** Before an authority decides to reject the advice of its auditor panel, it must bear in mind that the key principle of having a majority independent auditor panel is to provide separation and objectivity in the appointment process and to safeguard against partiality, real or perceived, affecting the process.

Resignation or removal of the auditor

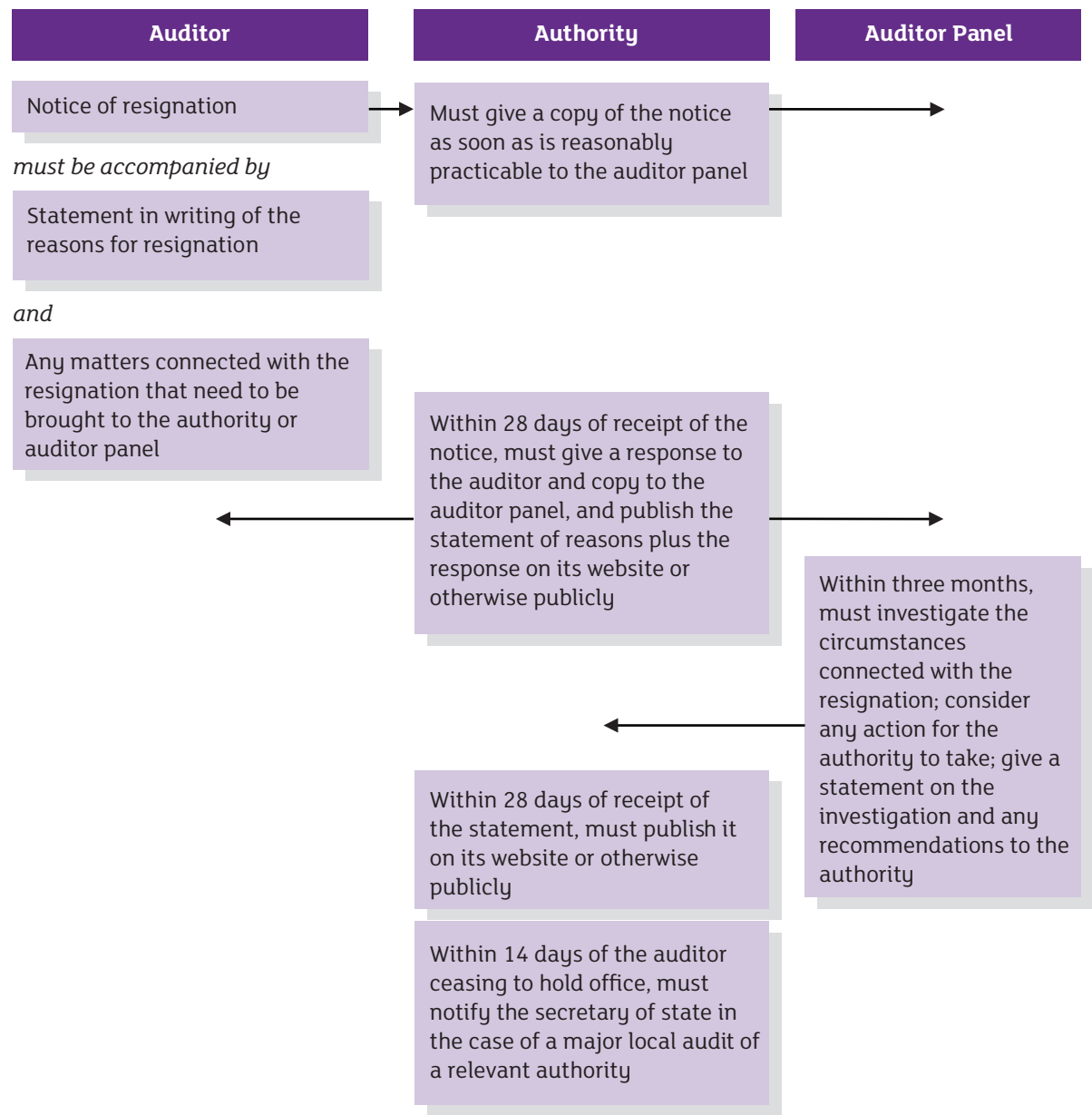
CHAPTER SUMMARY

- Both resignation and removal of the auditor are expected to be very rare occurrences and there is no specific guidance to assist in identifying when such instances may arise.
- Legislation sets out specific steps that auditors, authorities and the auditor panel must undertake in each circumstance.
- There may be an interim period of up to three months from when an auditor ceases to hold office after resignation or removal and when a new auditor must be appointed. If any queries are received for the auditor or potential objections raised by a local elector, these should be held over until the arrival of the new auditor.

- 6.1** Resignation or removal of an auditor is expected to be a very rare occurrence. The arrangements for resignation and removal provide for transparency in the process so that both the authority and the auditor can make the reasons for their decisions public, and so that the auditor panel can provide independent advice to the organisation on any decision about removal of the auditor, or the circumstances around the auditor's resignation.

RESIGNATION OF THE AUDITOR

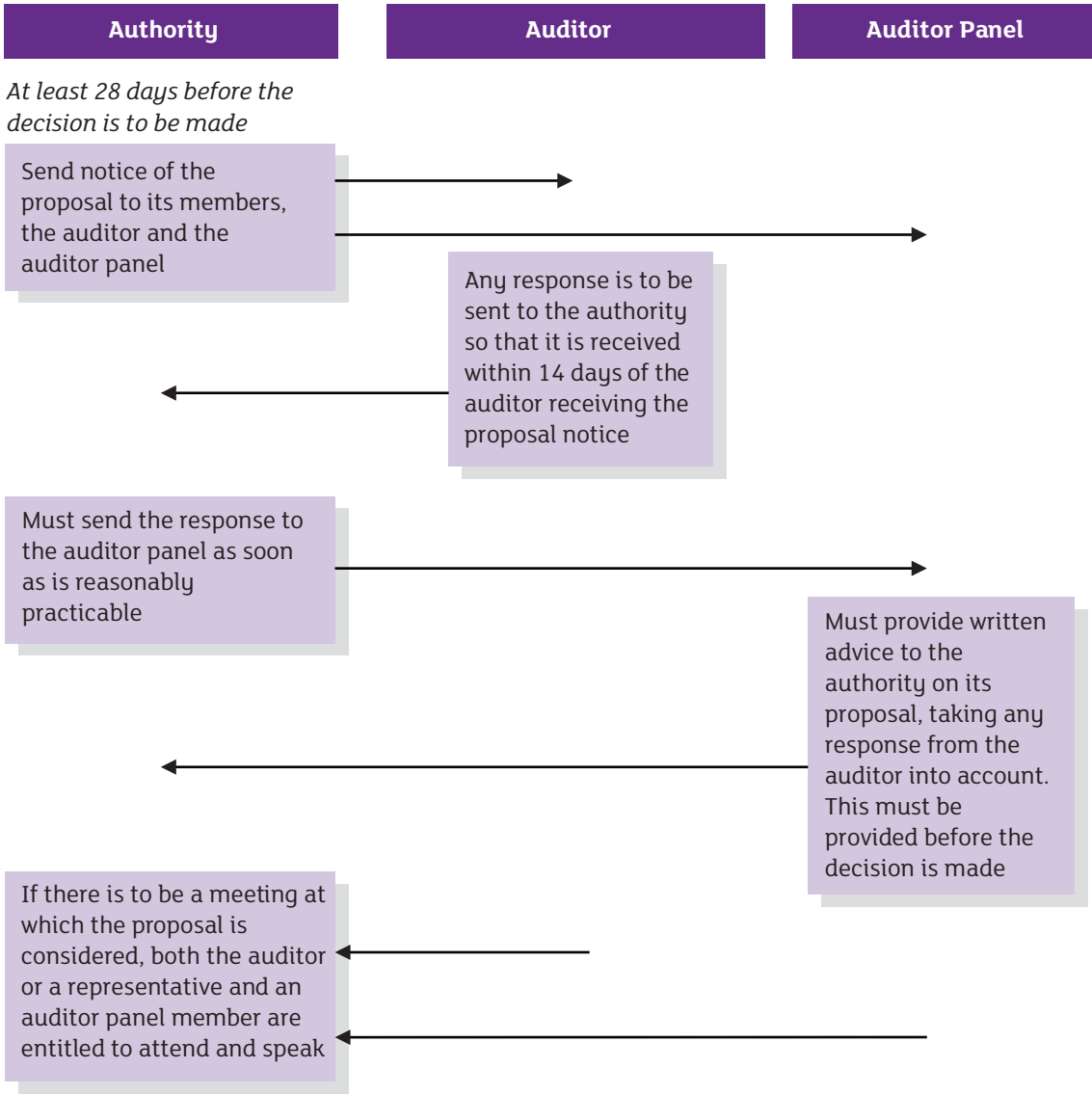
- 6.2** The legislation does not set out reasons why an auditor is likely to resign but reasons may include conflicts of interest that may arise or limitations of scope that mean the auditor believes it is no longer possible to carry out the work for which they have been contracted.
- 6.3** There are certain steps that the auditor and the authority must take in a situation when the auditor decides to resign their office. These are set out in the following diagram:



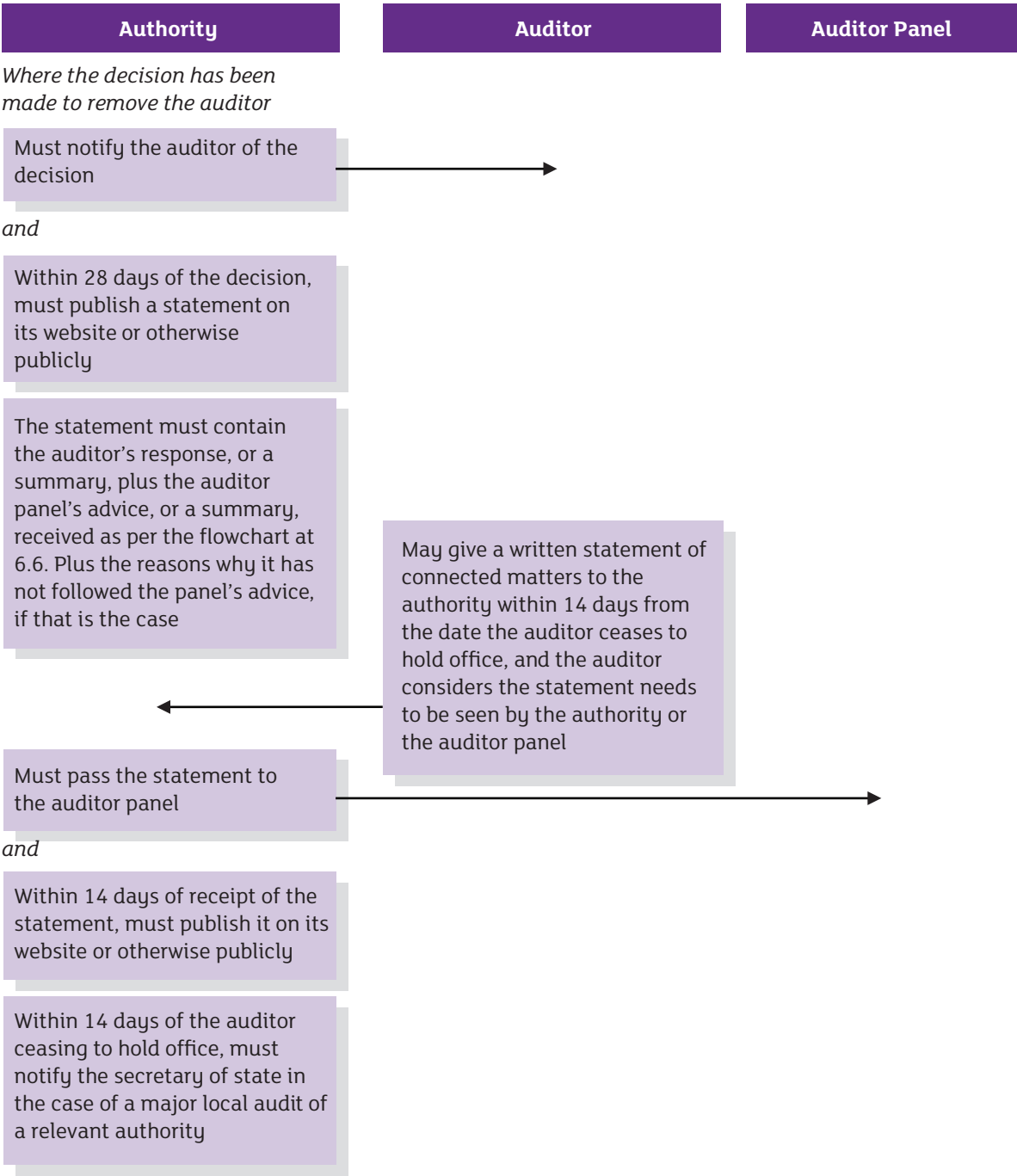
6.4 The diagram does not replace the detail contained within the legislation and authorities must refer to the Act and the Local Audit (Auditor Resignation and Removal) Regulations 2014 in these situations.

REMOVAL OF THE AUDITOR

- 6.5 As for the resignation of the auditor, the legislation does not set out circumstances in which removing the auditor would be an appropriate step. In-contract removal should be an exceptional occurrence and a last resort action and as such, it is not possible to set out potential triggers for such a situation.
- 6.6 The steps that the authority, the auditor and the auditor panel are required to or may take before making the decision to remove the auditor from office are set out in the following diagram:



- 6.7** It would be expected that the authority and the auditor enter mediation if appropriate, to try to resolve any disputes. In such a case, it may be preferable to enlist the help of a third party and the auditor panel could fulfil that role.
- 6.8** The steps that the authority, the auditor and the auditor panel are required to or may take after making the decision to remove the auditor from office are set out in the following diagram:



INTERIM ARRANGEMENTS BETWEEN RESIGNATION AND REMOVAL AND REPLACEMENT

- 6.9 If possible, the length of time that an authority does not have an appointed auditor must be minimised. However, there may be very rare periods in which an auditor vacancy is unavoidable.
- 6.10 In such a situation, the authority should have arrangements for sending holding replies to queries received for the auditor and ensuring that any queries, potential objections to the accounts⁹ and other such matters are held safely until the new auditor's arrival.

9. As per paragraphs 25 to 27 of the Local Audit and Accountability Act 2014.

CHAPTER 7

Other functions of the auditor panel

CHAPTER SUMMARY

- Auditor panels have a statutory duty to give advice to the authority if it proposes to enter into a liability limitation agreement. If panel members lack knowledge or experience in this area, it is recommended that training is sought that may assist them in this duty.
- It is important that auditor panels not only see any public interest report that has been made by the auditor, but that they are also seen to have received the public interest report. That is why the legislation requires both the auditor and the authority to ensure that the auditor panel has received a copy of any such report.
- Auditor panels should take a public interest report into account when advising the authority on its relationship with the auditor. Public interest reports also inform the panel's monitoring of the quality and effectiveness of the auditor.

LIABILITY LIMITATION AGREEMENTS

- 7.1** Section 14 of the Local Audit and Accountability Act 2014 (the Act) explains that liability limitation agreements seek to limit the amount of a liability owed to a relevant authority by the auditor in respect of any negligence, default, breach of duty or breach of trust occurring in the course of the audit of accounts, of which the auditor may be guilty in relation to the authority.
- 7.2** Auditor panels have a statutory duty to give advice to the authority if it proposes to enter into a liability limitation agreement. It is not the role of this guidance to give specific legal advice on such agreements. Instead, authorities must take proper advice from their legal team if they are considering entering into such an agreement, as well as considering the advice obtained from the panel.
- 7.3** Auditor panel members may not have any knowledge or experience of such agreements. It is therefore recommended that any training given to panel members includes liability limitation agreements to ensure that they are able to discharge their duty in this area to the best of their ability.
- 7.4** The Local Audit (Liability Limitation Agreements) Regulations 2014 (the LLA Regulations) give some additional information in this area, including that any agreement must not extend past the duration of the auditor contract to which it relates; and that the agreement can only limit

the auditor's liability to an 'amount as is fair and reasonable in all the circumstances of the case'.

PUBLIC INTEREST REPORTS

- 7.5** The responsibility of the auditor panel in respect of public interest reports (PIRs) is a relatively small one. When a PIR relating to the authority, or an entity connected to it, has been made by the auditor, the auditor must notify the panel as soon as is reasonably practicable afterwards.
- 7.6** The Act underlines the importance of the auditor panel receiving the PIR by also stating that the authority must send a copy of the report to the panel as soon as is practicable after receiving it.
- 7.7** While it is the responsibility of the authority to respond to and act upon any PIR relating to itself, or a connected entity, the report may raise issues or concerns relating to the authority's independent relationship with the auditor, on which the auditor panel must advise the authority. It is key that the panel sees when something unusual and potentially challenging to this relationship has occurred.
- 7.8** Issues arising from a PIR may also inform the auditor panel's monitoring of the quality and effectiveness of the auditor's term of office and any reappointment, if sought. The auditor panel will take any PIR into account when advising the authority on subsequent auditor appointment, for example where they may detect an authority does not want to reappoint an auditor that it perceives as challenging owing to a PIR. The panel can also provide balanced advice if, following a PIR, there is a proposal to remove the auditor or there are conditions that lead to the auditor resigning. The auditor panel's influence here will be in their advice, and that advice is being made public.

Other sources of guidance and assistance

- Local Audit and Accountability Act 2014
- Local Audit and Accountability Act 2014 Explanatory Notes
- Local Audit (Auditor Panel) Regulations 2014
- Local Audit (Auditor Panel Independence) Regs 2014
- Local Audit (Auditor Resignation and Removal) Regulations 2014
- Local Audit (Liability Limitation Agreements) Regulations 2014
- Local Audit (Smaller Authorities) Regulations 2015
- *Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition)*, CIPFA, 2013
- *Code of Audit Practice*, National Audit Office, 2015

APPENDIX A

Legislation relating to auditor panels

Appendix A reproduces sections of the legislation that are relevant to auditor panels. The appendix is not intended to be a substitute for the detailed requirements of the legislation itself.

ESTABLISHING AN AUDITOR PANEL

What does the legislation say?

Local Audit and Accountability Act 2014

Section 9 Requirement to have auditor panel

- (1) *Each relevant authority must have an auditor panel to exercise the functions conferred on auditor panels by or under this Act.*

SCHEDULE 4 FURTHER PROVISIONS ABOUT AUDITOR PANELS

Options for auditor panels

Para 1 (1) The auditor panel of a relevant authority ("R") must be—

- (a) a panel appointed as an auditor panel by R,*
 - (b) a panel appointed as an auditor panel by R and one or more other relevant authorities,*
 - (c) a committee of R to which sub-paragraph (2) applies, or*
 - (d) a panel to which sub-paragraph (3) applies.*
- (2) *This sub-paragraph applies to a committee of R (however described) which has not been appointed as an auditor panel if—*
- (a) R determines that the committee should be R's auditor panel,*
 - (b) the committee agrees to be R's auditor panel, and*
 - (c) the committee complies with the other provisions applying to auditor panels made by or under this Schedule.*
- (3) *This sub-paragraph applies to a panel if—*
- (a) the panel is (by virtue of any of paragraphs (a) to (c) of subparagraph (1)) the auditor panel of a relevant authority other than R,*
 - (b) R determines that the panel should be R's auditor panel,*
 - (c) the panel agrees to be R's auditor panel, and*
 - (d) the panel complies (as regards R) with the other provisions applying to auditor panels made by or under this Schedule.*
- (4) *References in sub-paragraphs (1) and (2) to a committee of R include a subcommittee of a committee of R.*

APPOINTING AND OPERATING AN AUDITOR PANEL

What does the legislation say?

Local Audit and Accountability Act 2014

SCHEDULE 4 FURTHER PROVISIONS ABOUT AUDITOR PANELS

Constitution of auditor panels

Para 2 (1) A relevant authority's auditor panel, other than a health service body's auditor panel—

- (a) must consist of a majority of independent members (or wholly of independent members), and
 - (b) must be chaired by an independent member.
- (2) A member of a relevant authority's auditor panel, other than a health service body's auditor panel, is "independent" at any given time if the following conditions are met—
- (a) the panel member has not been a member or officer of the authority within the period of 5 years ending with that time (the "last 5 years"),
 - (b) the panel member has not, within the last 5 years, been a member or officer of another relevant authority that is (at the given time) connected with the authority or with which (at the given time) the authority is connected,
 - (c) the panel member has not, within the last 5 years, been an officer or employee of an entity, other than a relevant authority, that is (at the given time) connected with the authority,
 - (d) the panel member is not a relative or close friend of—
 - (i) a member or officer of the authority,
 - (ii) a member or officer of another relevant authority that is connected with the authority or with which the authority is connected, or
 - (iii) an officer or employee of an entity, other than a relevant authority, that is connected with the authority,
 - (e) the panel member is not the authority's elected mayor,
 - (f) neither the panel member, nor any body in which the panel member has a beneficial interest, has entered into a contract with the authority—
 - (i) under which goods or services are to be provided or works are to be executed, and
 - (ii) which has not been fully discharged,
 - (g) the panel member is not a current or prospective auditor of the authority, and
 - (h) the panel member has not, within the last 5 years, been—
 - (i) an employee of a person who is (at the given time) a current or prospective auditor of the authority,
 - (ii) a partner in a firm that is (at the given time) a current or prospective auditor of the authority, or
 - (iii) a director of a body corporate that is (at the given time) a current or prospective auditor of the authority.

Inserted by the Local Audit (Auditor Panel Independence) Regulations 2014 (2014/2845)

(7) In sub-paragraph (2)—“elected mayor” has the same meaning as in Part 1A of the Local Government Act 2000(a);

“officer”, in relation to an entity other than a relevant authority, means a person elected or appointed as, or to, that entity.

Local Audit and Accountability Act 2014

(8) For the purposes of sub-paragraph (2)(d), a person (“R”) is a relative of another person (“P”) if R is—

- (a) P’s partner,
- (b) P’s parent or grandparent,
- (c) P’s son, daughter, stepson, stepdaughter or grandchild,
- (d) P’s brother or sister,
- (e) P’s uncle, aunt, nephew or niece,
- (f) a parent, son, daughter, brother or sister of P’s partner, or
- (g) a partner of any person within paragraphs (b) to (f), and for this purpose “partner” means a spouse, civil partner or someone a person lives with as if they were husband and wife or civil partners.

Inserted by the Local Audit (Auditor Panel Independence) Regulations 2014 (2014/2845)

(8A) For the purposes of sub-paragraph (2)(f) to (h)—

“body in which the panel member has a beneficial interest” means a body in which the panel member is a partner, or of which the panel member is a director, or in the securities of which the panel member has a beneficial interest; “current or prospective auditor”, in relation to a relevant authority, means—

- (a) the person appointed to act as the authority’s local auditor, or
- (b) a person who has made a bid, which has not been declined or withdrawn, for a contract of appointment as the authority’s local auditor;

“director” includes a member of the management committee or other directing body of a registered society, and a member of a limited liability partnership;

“registered society” means a registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014;

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

Local Audit and Accountability Act 2014**SCHEDULE 4 FURTHER PROVISIONS ABOUT AUDITOR PANELS****Status of auditor panels**

- Para 6 (1) Where a relevant authority other than a health service body has determined that a committee of that authority should be its auditor panel, the panel when acting as such is not to be treated as a committee of the authority for the purposes of any enactment.*
- (2) *Sub-paragraph (1) is subject to provision made by regulations under paragraph 5.*
- (3) *References in this paragraph to a committee of a relevant authority include a sub-committee of such a committee.*

Inserted by the Local Audit (Auditor Panel) Regulations 2014 (2014/3224)**Members of auditor panels**

- 2.**—(1) *An auditor panel of a relevant authority must have three or more members.*
- (2) *A person may only be appointed as an independent member of an auditor panel if—*
- (a) *the vacancy for an independent member has been advertised by the relevant authority in such manner as it considers is likely to bring the vacancy to the attention of the public; and*
 - (b) *the person submitted an application to fill the vacancy to the relevant authority.*
- (3) *If the relevant authority is a local authority operating executive arrangements, the function of appointing members of an auditor panel is not the responsibility of an executive of the authority under those arrangements.*
- (4) *If the relevant authority is a local authority within the meaning of section 101 of the 1972 Act (arrangements for discharge of functions), that section does not apply to the authority's function of appointing members of an auditor panel.*
- (5) *If the relevant authority is the Greater London Authority, the function of appointing members of an auditor panel to fill casual vacancies must be exercised by the Mayor of London and the London Assembly acting jointly on behalf of the Authority.*
- (6) *If the relevant authority is a parish meeting, the function of appointing members of an auditor panel to fill casual vacancies must be exercised by the parish meeting itself (and not by its chairman on behalf of the parish meeting).*

Term of office of panel members

- 3.** *The term of office of a member of an auditor panel is to be determined by the relevant authority which appoints that panel member.*

Removal of panel members on disqualification

4. *Where a member of an auditor panel, or its chair, becomes disqualified from being a member of an auditor panel by virtue of regulation 8, the relevant authority which appointed that member must—*
- (a) remove the disqualified member or chair from the auditor panel where that member has not already resigned or agreed to resign; and*
 - (b) appoint a person to fill the vacancy.*

Allowances of panel members

5. *A relevant authority may pay the members of its auditor panel such allowances as the authority may determine.*

Proceedings and validity of proceedings of auditor panels

- 6.— (1) *Subject to paragraph (2), an auditor panel may determine its own proceedings.*
- (2) *In relation to any meeting of an auditor panel—*
- (a) the quorum is three, and*
 - (b) the proceedings of the panel are valid if the majority of members present at the meeting are independent members of the panel.*

Local Audit and Accountability Act 2014**SCHEDULE 4 FURTHER PROVISIONS ABOUT AUDITOR PANELS****Expenses of auditor panels**

Para 7 A relevant authority must meet the reasonable expenses of its auditor panel incurred by the panel when acting as such.

THE FUNCTIONS OF THE AUDITOR PANEL

What does the legislation say?

Local Audit and Accountability Act 2014

Procedure for appointment

Section 8(2)(d) sets out the advice, or a summary of the advice, of its auditor panel about the selection and appointment of a local auditor.

Functions of auditor panel

Section 10(1) A relevant authority's auditor panel must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts.

- (4) A relevant authority's auditor panel must advise the authority on the selection and appointment of a local auditor to audit its accounts.*
 - (5) Advice under subsection (1) or (4) must be given—*
 - (a) if the relevant authority asks for it, and*
 - (b) at other times, if the auditor panel thinks it is appropriate to do so.*
 - (6) A relevant authority's auditor panel must advise the authority on any proposal by the authority to enter into a liability limitation agreement (see section 14).*
 - (7) Advice under subsection (6) must be given if the authority asks for it.*
- 8(2)(d) sets out the advice, or a summary of the advice, of its auditor panel about the selection and appointment of a local auditor.*

Relationship with relevant authority

Section 11(1) A relevant authority other than a health service body must, if asked to do so by its auditor panel, supply to the panel any documents or information held by the authority and required by the panel for the exercise of its functions.

- (2) A relevant authority's auditor panel, other than the auditor panel of a health service body, may require a member or officer of the authority to come to a meeting of the panel to answer its questions.*
- (3) In the application of subsection (2) to a corporation sole, the reference to a member is a reference to a holder of that office.*
- (4) A person mentioned in subsection (2) must comply with a requirement imposed by an auditor panel under that subsection.*
- (5) This does not require the person to answer any questions which the person would be entitled to refuse to answer in or for the purposes of proceedings in a court in England and Wales.*

Local Audit (Auditor Panel) Regulations 2014 (2014/3224)**Functions of auditor panels: further details**

- 7.—(1) *In complying with its duties under section 10(1) to (3) of the Act a relevant authority's auditor panel must advise the authority on—*
- (a) whether to adopt a policy on the purchasing, from the authority's local auditor, of non-audit services;*
 - (b) if the authority proposes to adopt such a policy, on its contents, including—*
 - (i) the circumstances in which the authority should ask the auditor panel for advice in connection with the purchasing of non-audit services; and*
 - (ii) the circumstances in which the authority should or should not purchase non-audit services from the authority's local auditor.*
- (2) *In this regulation “non-audit services” in relation to a relevant authority means services provided by the authority's local auditor to the authority other than in the exercise of the functions of the local auditor under the Act.*

APPOINTING THE AUDITOR

What does the legislation say?**Local Audit and Accountability Act 2014****Procedure for appointment**

Section 8(1) A relevant authority must consult and take into account the advice of its auditor panel on the selection and appointment of a local auditor under section 7.

Section 8(2)(d) sets out the advice, or a summary of the advice, of its auditor panel about the selection and appointment of a local auditor

Local Audit (Auditor Resignation and Removal) Regulations 2014 (2014/1710)**Appointment of a local auditor following removal or resignation**

Section 9.—(1) Where a local auditor resigns or is removed from office, the relevant authority must, within three months of the date on which the local auditor ceases to hold office, appoint a replacement local auditor to audit its accounts.

- (2) If a relevant authority fails to comply with paragraph (1) it must immediately inform the Secretary of State of that fact.*
- (4) Where a relevant authority fails to comply with paragraph (1) the Secretary of State may—*
 - (a) direct the authority to appoint the auditor named in the direction; or*
 - (b) appoint a local auditor on behalf of the authority.*

RESIGNATION OR REMOVAL OF THE AUDITOR

What does the legislation say?

The Local Audit (Auditor Resignation and Removal) Regulations 2014 (2014/1710)

Role of the auditor and the relevant authority in respect of the auditor panel

- 3(2) *A notice of resignation under paragraph (1) is not effective unless accompanied by a statement in writing of—*
- (a) *the reasons for the local auditor ceasing to hold office;*
 - (b) *any matters connected with the local auditor ceasing to hold office that the local auditor considers need to be brought to the attention of the relevant authority or the relevant authority's auditor panel.*
- 3(4) *The relevant authority must, as soon as is practicable after receiving—*
- (a) *notice in writing under section 1215(1) of the 2006 Act; or*
 - (b) *an effective notice of resignation under paragraph (1), give a copy of the notice (and, where applicable, the statement referred to in paragraph (2)) to the authority's auditor panel.*
- 3(5) *The relevant authority must, within the period of 28 days beginning with the date on which the authority receives the statement referred to in paragraph (2)—*
- (a) *send a response to the local auditor and a copy of the response to the relevant authority's auditor panel;*

Role of the auditor panel in connection with a resignation of a local auditor

- 4(1) *Where a local auditor resigns from office the relevant authority's auditor panel must, within the period of three months beginning with the date on which the resignation takes effect—*
- (a) *investigate the circumstances connected with the local auditor ceasing to hold office;*
 - (b) *consider whether any action is required to be taken by the relevant authority to address any matters raised by the resignation; and*
 - (c) *give a statement to the relevant authority containing—*
 - (i) *the results of the panel's investigations under sub-paragraph (a); and*
 - (ii) *the panel's recommendations in relation to any action to be taken by the authority.*

Procedure for removal of local auditor from office

- 6(1) *Not less than 28 days before the relevant authority is to make a decision on removing a local auditor from office, the relevant authority must give notice in writing of the proposal to—*
- (a) each of its members (if it has members);*
 - (b) the relevant authority's auditor panel; and*
 - (c) the local auditor.*
- 6(3) *The relevant authority must, as soon as is practicable after receiving a response under paragraph (2), give a copy of the response to the relevant authority's auditor panel.*
- (4) *The auditor panel must, before the relevant authority makes a decision on the proposal to remove a local auditor from office, provide written advice to the authority on the proposal.*
- (5) *If the local auditor has made a response under paragraph (2) the advice under paragraph (4) must include advice in relation to that response.*
- (6) *Where the proposal and advice are to be considered at a meeting of the relevant authority—*
- (a) the local auditor or a representative of the local auditor is entitled to attend and speak at that meeting; and*
 - (b) a member of the authority's auditor panel is entitled to attend and speak at that meeting.*
- 7(1) *Where a relevant authority decides to remove a local auditor from office, it must—*
- (a) notify the local auditor of the decision; and*
 - (b) within the period of 28 days beginning with the date of the decision publish a statement—*
 - (i) if the relevant authority has a website, on its website;*
 - (ii) otherwise, in accordance with regulation 1(3).*
- (2) *The statement referred to in paragraph (1)(b) must contain—*
- (a) any response, or a summary of the response, received from the local auditor under regulation 6(2);*
 - (b) the advice, or a summary of the advice, received from the authority's auditor panel under regulation 6(4); and*
 - (c) if the relevant authority has not followed the advice referred to in sub-paragraph (b), its reasons for not doing so.*
- 7(4) *Where, within the period of 14 days beginning with the date on which the local auditor ceases to hold office—*

- (a) *a relevant authority receives from the auditor a written statement of matters connected with its removal from office, and*
- (b) *the auditor considers the statement needs to be brought to the attention of the relevant authority or the relevant authority's auditor panel, the authority must comply with paragraph (5).*
- (5) *The relevant authority must—*
 - (a) *give a copy of the statement referred to in paragraph (4) to the authority's auditor panel and, within the period of 14 days of receiving that statement—*
 - (i) *in the case of a major local audit of a relevant authority, to the Secretary of State or, where the Secretary of State has designated a body in an order under section 1252 of the 2006 Act, to that body; or*
 - (ii) *in any other case, to the supervisory body by which the local auditor is recognised; and*
 - (b) *publish the statement—*
 - (i) *if the relevant authority has a website, on its website;*
 - (ii) *otherwise, in accordance with regulation 1(3).*

LIABILITY LIMITATION AGREEMENTS AND PUBLIC INTEREST REPORTS

What does the legislation say?

Local Audit and Accountability Act 2014

Section 15 Further provisions about liability limitation agreements

- (1) *Before entering into a liability limitation agreement, a relevant authority other than a chief constable or the Commissioner of Police of the Metropolis must consult and take into account the advice of its auditor panel.*

SCHEDULE 7 REPORTS AND RECOMMENDATIONS

Public Interest Reports

- Para 1(4) A local auditor must notify a relevant authority's auditor panel (if it has one) as soon as is reasonably practicable after making a public interest report relating to the authority or an entity connected with it.*
- 4(3) *As soon as is practicable after receiving the report, the relevant authority must supply a copy of the report to—*
 - (a) *each of its members (if it has members), and*
 - (b) *its auditor panel (if it has one).*

The auditor's statutory duties

This table is from the National Audit Office's *Code of Audit Practice*, which came into force on 1 April 2015. It is reproduced with the kind permission of the National Audit Office.

The auditor's statutory responsibilities

Schedule 1 aims to provide an accessible view of auditors' responsibilities. To achieve this, the schedule summarises (rather than reproduces) relevant sections of the Act. The schedule is not intended to be a substitute for consideration of the detailed requirements of the Act itself.

Schedule 1

The auditor's statutory responsibilities

Audited bodies other than health service bodies	Statute
Audit scope	
To be satisfied that the accounts comply with the requirements of the enactments that apply to them	Section 20(1)(a) Local Audit and Accountability Act 2014
To be satisfied that proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view	Section 20(1)(b) Local Audit and Accountability Act 2014
To be satisfied that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources	Section 20(1)(c) Local Audit and Accountability Act 2014
Reporting	
To express an opinion on the accounts	Section 20(2)(b) Local Audit and Accountability Act 2014
To certify completion of the audit	Section 20(2)(a) Local Audit and Accountability Act 2014
Where appropriate, to give an opinion on the part of the financial statements that relates to a pension fund maintained by the authority under regulations under section 1 of the Public Service Pensions Act 2013	Section 20(3) Local Audit and Accountability Act 2014
To consider the issue of a report in the public interest	Section 24, Schedule 7 paragraph 1(1) Local Audit and Accountability Act 2014
To consider whether to make a written recommendation to the audited body, copied to the Secretary of State	Section 24, Schedule 7 paragraph 2 Local Audit and Accountability Act 2014
Additional powers and duties	
To give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts	Sections 26 and 27 Local Audit and Accountability Act 2014
To apply to the court for a declaration that an item of account is contrary to law	Section 28 Local Audit and Accountability Act 2014
To consider whether to issue and, if appropriate, to issue an advisory notice or to make an application for judicial review	Sections 29 and 31, Schedule 8 Local Audit and Accountability Act 2014
To comply with the Code of Audit Practice prepared by the Comptroller and Auditor General and approved by Parliament	Section 20(5) Local Audit and Accountability Act 2014
To have regard to any guidance to auditors issued by the Comptroller and Auditor General	Section 20(6) Local Audit and Accountability Act 2014



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Agenda Item 8.

Report To:	AUDIT PANEL
Date:	1 March 2016
Reporting Officer:	Peter Timmins – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services
Subject:	CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY – FRAUD AND CORRUPTION TRACKER
Report Summary:	To advise Members of the report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre – Fraud and Corruption Tracker 2015.
Recommendations:	Members note the report.
Links to Community Strategy:	No direct links but supports the individual operations within the Community Strategy.
Policy Implications:	Effective Counter Fraud arrangements demonstrate a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Fraud diverts money away from service delivery and therefore it is important that effective counter fraud arrangements are in place to minimise losses relating to fraud.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015.
Risk Management:	Fraud is a risk to all organisations and therefore it is important that a sound system of internal control is in place to mitigate the risk of fraud and that counter fraud resources are sufficient to ensure that cases identified are investigated and where appropriate prosecuted to recover assets which have been wrongfully diverted away from service delivery.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Risk & Internal Audit Manager by:  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk

1. BACKGROUND

- 1.1 The Chartered Institute of Public Finance and Accountancy Counter Fraud Centre was launched in July 2014 and was created to fill the considerable gap in the UK counter fraud arena following the closure of the National Fraud Authority and the Audit Commission and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service run by the Department for Work and Pensions.
- 1.2 The Counter Fraud Centre leads and coordinates the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.
- 1.3 The report recently produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre – Fraud and Corruption Tracker 2015 is divided into several sections:-
- Introduction;
 - Reported Types of Fraud;
 - Whistleblowing;
 - Prosecutions;
 - Counter Fraud and Corruption Resources;
 - Counter Fraud and Anti-Corruption Plan;
 - Fraud Cases in London Local Authorities;
 - Fighting Fraud Locally; and
 - Emerging Threats.
- 1.4 Initially membership was offered free, however from April 2016, local authorities have to subscribe to the service to continue to have access to the fraud resources available. It is intended that funds will be found from existing resources to ensure that the Authority subscribes to this service in order to ensure continued access to the tools, alerts and resources needed to combat fraud.
- 1.5 In terms of Tameside the number of frauds dealt with is low and because of the nature of investigations and the definition of “Detected Fraud” very little was reported in the survey.

2. INTRODUCTION

- 2.1 This report is based on the findings from the Chartered Institute of Public Finance and Accountancy’s Fraud and Corruption Tracker Survey and captured data for 2014/15. The report covers a host of public sector organisations, including local authorities, fire authorities, waste disposal authorities and the police. It focuses on common fraud types for all organisations and also on specific areas for local authorities. The Report is attached at **Appendix 1**.
- 2.2 The tier response rates are detailed in Table 1 below.

Table 1 – Tier Response Rates

Tier	Percentage
Counties	70.4
London authorities	100
Metropolitan Unitaries	63.9
Unitary (non-met) authorities	55.4
Districts	23.4
Other authorities	2.1

3. REPORTED TYPES OF FRAUD

- 3.1 The table below details the type of fraud reported along with the number of cases, values and percentage of the total reported.

Table 2 – Reported Types of Fraud

Types of Fraud	Fraud Cases	% of the Total	Value £m	Tameside Value
Council Tax SDP	30,184	52.7	£10.7m	
Housing Benefit	12,989	22.7	£56.9m	£631,000
Council Tax CTR	4,142	7.2	£2.0m	
Housing Tenancy Fraud	3,002	5.2	£77.2m	
Disabled Parking Concession (Blue Badge)	2,545	4.4	£1.0m	
Council Tax other	1,556	2.7	£1.4m	
Debt	997	1.7	£0.5m	
Other Types of Fraud (See below)	1,829	3.2	£21.0m	
Total	57,244	100	£171m	£631,000
Other Types of Fraud (See below)				
Social Care	287	0.5	£2.0m	
Abuse of Position	155	0.27	£2.0m	
Payroll	137	0.24	£0.3m	
Insurance	133	0.23	£2.6m	
Welfare Assistance	104	0.18	£1.6m	
Business Rates	102	0.18	£0.8m	
Procurement	60	0.10	£2.2m	
Recruitment	58	0.10	£0.2m	
Expenses	56	0.10	£0.1m	
Economic	28	0.05	£1.1m	
Manipulation of data	24	0.04	N/A	
Pensions	20	0.03	£0.2m	
Investment	11	0.02	£0.0m	
Other Fraud	654	1.14	£7.8m	
Total	1,829	3.18	£20.9m	-

4. WHISTLEBLOWING

- 4.1 This section of the report provides feedback regarding whistleblowing policies, and in summary all respondents had a whistleblowing policy.

5. PROSECUTIONS

- 5.1 Many organisations have the ability to undertake sanctions against those who commit fraud, whether via the police, the Crown Prosecution Service or in-house lawyers. The section then provides a summary of prosecutions undertaken and the outcomes.

6. COUNTER FRAUD AND CORRUPTION RESOURCES

- 6.1 This section provides an analysis of resources working on counter fraud. The introduction of the Single Fraud Investigation Service within the Department of Works and Pensions has had a significant impact on resources in some authorities.

7. COUNTER FRAUD AND ANTI-CORRUPTION PLAN

- 7.1 This concentrated on the type of plan that organisations have in place, whether it covered all types of fraud risk and how often it was reassessed.

8. FRAUD CASES IN LONDON LOCAL ATHORITIES

- 8.1 This section provides a summary in relation to the London authorities only, as the response rate was 100%.

9. FIGHTING FRAUD LOCALLY

- 9.1 The section briefly provides some feedback as to how well local authorities are performing against the areas covered by Fighting Fraud Locally Strategy.

10. EMERGING THREATS

- 10.1 The list of emerging threats identified are as follows:
- Procurement Fraud, ranging from the concept of a project through to contract management.
 - Organisational change which leads to fraud risks.
 - Personal Budgets and Direct payments
 - Housing Tenancy Fraud
 - Cyber and E-Enable Fraud

11. RECOMMENDATIONS

- 11.1 Members note the report.

fraud and corruption tracker

Summary Report 2015



**CIPFA COUNTER
FRAUD CENTRE**

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Foreword

Various reports and publications have been written over the years aiming to help local councils and other organisations in the fight against fraud. These reports promoted awareness of similar frauds happening in other organisations and assisted local authorities in comparing themselves and their responsiveness to other organisations facing the same fraud threats and risks.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has been commended by the National Audit Office (NAO), National Crime Agency (NCA) and Local Government Association (LGA) for producing this report, incorporating all public sector regions to provide a truly national, up-to-date overview of all fraud, bribery and corruption activity throughout the public sector in the UK.

This fantastic achievement of the first voluntary survey run by the CIPFA Counter Fraud Centre in 2015 will appeal not only to local authorities and councils, but also to other areas of the public sector, including health and the emergency services.



National Audit Office



National Crime Agency



The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the considerable gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP).

The CCFC leads and co-ordinates the fight against fraud and corruption across public services in providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.



**CIPFA COUNTER
FRAUD CENTRE**

Introduction

This report, based on the findings from the CIPFA Fraud and Corruption Tracker (CFaCT) survey, identifies and accurately focuses on the trends of well-defined frauds. CIPFA has applied care and diligence to create this picture of fraudulent activity across the UK’s public sector, establishing the differences between similar frauds happening in the same categorisation.

Within the housing fraud category, for example there is a difference between ‘right to buy’ fraud and a tenant illegally subletting their property, additionally there are instances where cases in these areas could cross over. CIPFA has addressed fraud figures as a whole, instead of trying to break figures down into minutiae.

The CFaCT survey also assessed all authorities on the themes in Fighting Fraud Locally (FFL), England’s counter fraud and corruption strategy. This aims to help local councils tackle fraud and corruption and ultimately prevent losses, although the strategy is also applicable across the wider sector. The FFL Board also encouraged specific questions to be included in the CFaCT survey to help measure the effectiveness of the initiatives in the strategy. The suggestions in this report, therefore, reflect, endorse and illustrate the long term agreement between the FFL Board and CIPFA.

Fraud is an ongoing problem. It is important to know the extent of the problem and also to praise local authorities whose activity to tackle fraud has resulted in particularly successful results.

This report covers a host of public sector organisations, including local authorities, fire authorities, waste disposal authorities and the police. It focuses on common fraud types for all organisations and also on specific areas for local authorities.

Fraud often knows no limit or boundary and thus it is CIPFA’s intention to better equip public sector organisations in the future, through widening the scope of the survey to assist agencies locally and inform the national picture.

As recommended in the *UK Anti-Corruption Plan*, the CCFC has also developed close relationships with the National Crime Agency, the Home Office, and the City of London Police. The survey also contains questions pertinent in informing future work in this area.

The CFaCT survey had an even spread of results from across all regions, the lowest of which was in the East Midlands, while the tier responses, summarised below, show the highest response rate in London and the lowest in districts. Due to the wide group of respondents CIPFA has not extrapolated the data, in particular in areas where there may be geographical bias. For example, ‘no resource to public funds’ fraud had a high prevalence in the southern authority results returned, with a 100% return for London local authorities.

The highest results of fraud risks were in the generic areas pertinent to all organisations, in particular procurement fraud, abuse of position and debt fraud. There were also high figures for local authority specific areas in social care, business rates and housing tenancy fraud.

Below are the tier response rates for the CIPFA Fraud and Corruption Tracker survey

Tier	
Counties	70.4%
London authorities	100%
Metropolitan unitaries	63.9%
Unitary (non-met) authorities	55.4%
Districts	23.4%
Other authorities	2.1%

Figure 1.1

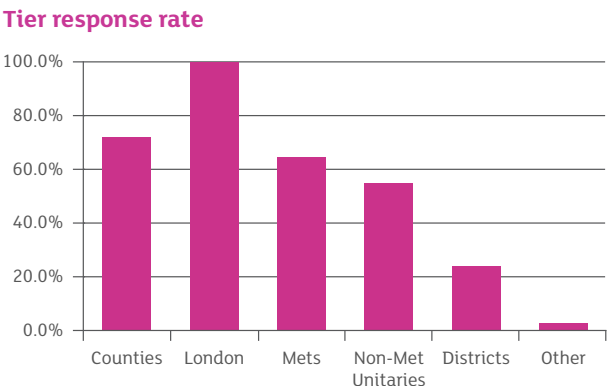


Figure 1.2

Reported types of fraud

The following indicate the types of fraud reported along with numbers of cases, values and percentages of the total reported. Where possible we have produced a national estimate.

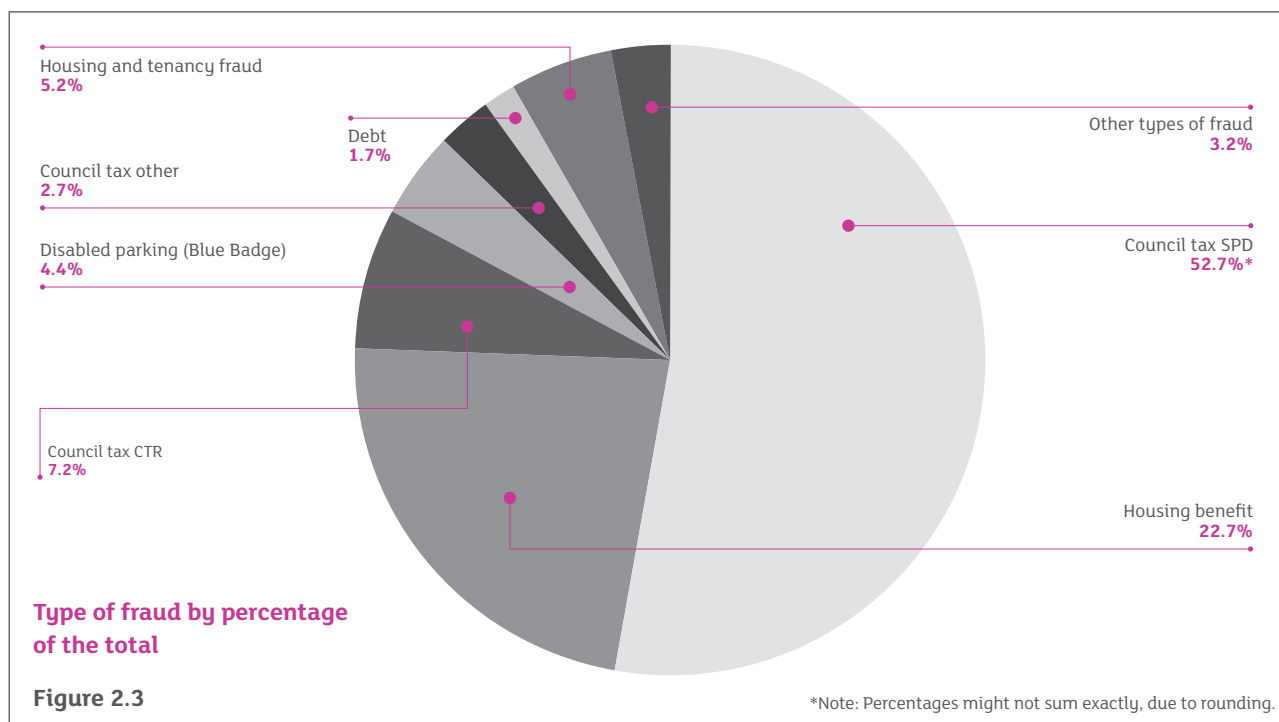
Types of fraud	Fraud cases	% of the total	Value £m
Council tax SPD	30,184	52.7%	£10.7m
Housing benefit	12,989	22.7%	£56.9m
Council tax CTR	4,142	7.2%	£2.0m
Housing and tenancy fraud	3,002	5.2%	£77.5m
Disabled parking concession (Blue Badge)	2,545	4.4%	£1.0m
Council tax other	1,556	2.7%	£1.4m
Debt	997	1.7%	£0.5m
Other types of fraud (see table below)	1,829	3.2%	£21.0m
Total	57,244	100%*	£171m

Figure 2.1

Other types of fraud	Fraud cases	% of the total	Value £m
Social care	287	0.5%	£2.0m
Abuse of position	155	0.27%	£2.0m
Payroll	137	0.24%	£0.3m
Insurance	133	0.23%	£2.6m
Welfare assistance	104	0.18%	£1.6m
Business rates	102	0.18%	£0.8m
Procurement	60	0.10%	£2.2m
Recruitment	58	0.10%	£0.2m
Expenses	56	0.10%	£0.1m
Economic and voluntary sector	28	0.05%	£1.1m
Manipulation of data	24	0.04%	N/A
Pensions	20	0.03%	£0.2m
Investment	11	0.02%	£0.0m
Other fraud	654	1.14%	£7.8m

Figure 2.2

*Note: Percentages might not sum exactly, due to rounding.



Main types of fraud

Council tax

This includes council tax single person discount (SPD) fraud, council tax reduction (CTR) support and other types of council tax fraud. These represent the highest number of cases of fraud reported by councils, who detected 30,184 of SPD cases totalling £10.7m, 4,142 of CTR cases totalling £2.0m and 1,556 of other types of fraud totalling £1.4m.

Housing benefit

This includes all actions that have been done deliberately and dishonestly to obtain money and financial support, for example depreciation of capital, hidden income, or non-notification of a relevant change in circumstance which may result in a change of payment. The actual number of cases detected was 12,989 cases totalling £56.9m.

Housing and tenancy fraud

This includes subletting, abandonment, housing application fraud, succession and right to buy fraud. In this category the highest number of cases reported was in subletting, followed by a mixture of housing fraud types. 'Right to buy' was the lowest in this category but was listed as an emerging risk by many councils. There were 3,002 cases (estimated nationally at 3,670 cases) with a value of over £77.5m.

Disabled parking (Blue Badge)

This covers all types of parking fraud under the Blue Badge scheme. The number of cases reported here was 2,545 with a value of £1.0m.

Debt

This includes fraudulently avoiding a payment of a debit to an organisation, excluding council tax discount. There were 997 cases detected (34 of which involved employees) with a total value of £0.5m.

Other types of fraud*

*where possible we have provided national estimates.

Social care and welfare assistance

Social care and welfare assistance was one of the highest types of 'other frauds' reported. Social care amounted to 287 detected cases nationally. Welfare assistance totaled 104 cases.

Social care and direct payments are also included in the top three emerging risks listed by authorities.

Procurement, insurance, abuse of position, economic and voluntary sector and manipulation of data

The national estimate of cases in these areas was 1,050. However, it has been noted that a number of these fraud areas crossed over and thus fraudulent activities may have been classified in different categories by different organisations.

For example, procurement frauds have also been classified as 'abuse of position' where a member of staff had been involved in fraudulent activity made possible by their position.

Procurement fraud: This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or company in the 'purchase to pay' or post contract procedure. Procurement fraud often involves significant sums of money and is a frequently occurring fraud risk across all public sector organisations.

Insurance claims: This includes any insurance claim that is proved to be false, made against your organisation or your organisation's insurers. The estimated number of detected cases here was 237. The estimated national value was £4,732 per case; eight cases involved employees but none involved councillors.

Economic and voluntary sector: This includes frauds such as the false payment of grants or financial support to any person and any type of agency or organisation. The estimated amount of detected cases was 47, none of which involved employees; however, there was two cases reported involving a councillor. The estimated national value per case was £1,858.

Abuse of position: This includes individuals using their position to assist in a fraud, for example in helping an individual get a job in a certain position or in an individual using their position to give access permission to a family member or friend.

The actual amount of detected cases was 151. The estimated national value was £385,000.

Manipulation of data (financial or non-financial):

This includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

The actual amount of detected cases was 24 (23 of which involved employees). The estimated national figure was 108 for manipulation.

Pensions and investments funds

Pensions fraud: This includes all fraud relating to pension payments, including but not limited to failure to declare changes of circumstances, false documentation, or continued payment acceptance after the death of a pensioner.

The actual number of cases detected was 20. The estimated national value was £342,000; no cases involved employees or councillors.

Investments fraud: This includes all fraud associated with investments. The number of cases detected was 11. The estimated figure nationally was £214,000; no cases involved employees or councillors.

Payroll, expenses and recruitment

Payroll: This includes inputting 'ghost employees' and manipulating payroll data. The number of cases detected was 137. The estimated national value was £653,000.

Expenses fraud: This includes all types of expenses fraud. The number of cases detected was 56. The estimated national value amounts to £140,000. Of the estimated 143 cases, 14 involved employees and three cases involved councillors.

Recruitment fraud: This includes false CVs, job histories, qualifications, references or referees. The number of cases detected was 58. The estimated national value amounted to £255,000. Of the estimated cases 79 involved employees and none involved councillors.

Business rates and no recourse to public funds

Business rates: Business rates appeared as an emerging risk and also a financial risk, with detections totalling £0.8m in 2014-15.

No recourse to public funds: While councils reported this as an emerging risk, the figures were low outside of London and therefore no national extrapolation took place. Some councils in London reported finding up to 400 cases where individuals were claiming public funds but were not entitled to the money.

Whistleblowing

An integral part of creating an anti-fraud culture is ensuring that an organisation has robust reporting procedures in place for concerns to be raised. Our survey asked authorities about whether they had a policy, and if so whether the policy conformed to the British Standard.

Do you have a whistleblowing policy?

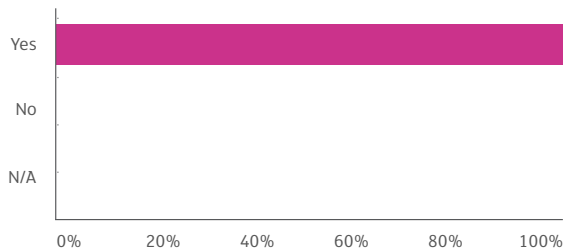


Figure 3.1

If yes, when was it last reviewed/updated?

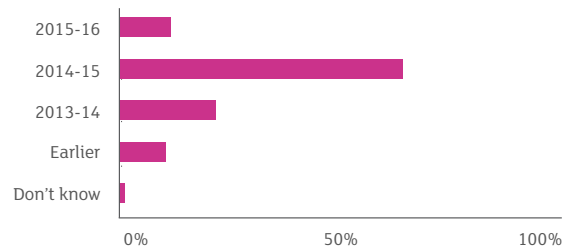


Figure 3.2

Do those responsible for governance annually review your whistleblowing arrangements in line with BS PAS 1998@2008 – Whistleblowing Arrangements Code of Practice?

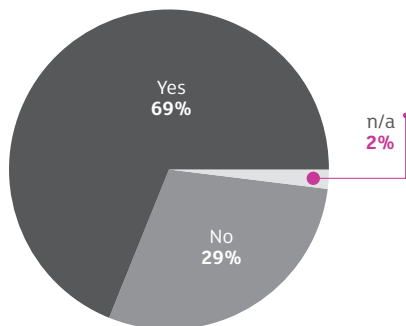


Figure 3.3

Do staff and the public have access to a fraud and corruption whistleblowing helpline

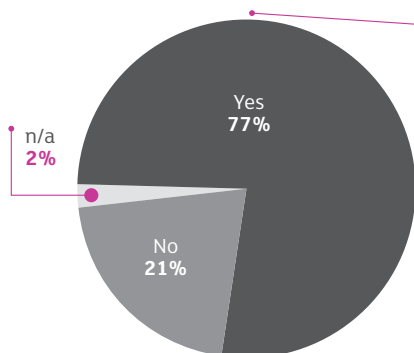


Figure 3.4

Does the helpline conform to BS PAS Whistleblowing Arrangements Code of Practice?

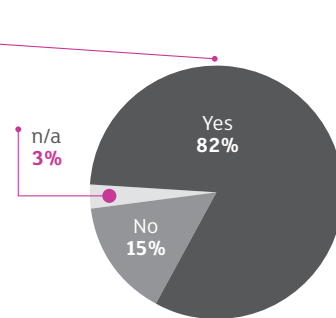
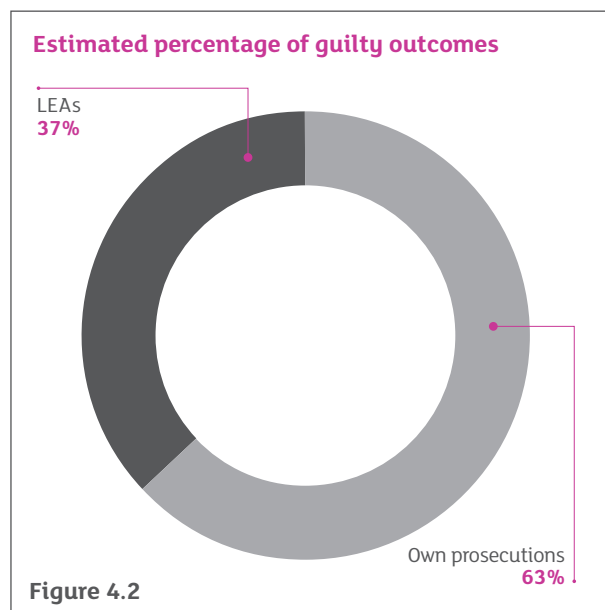
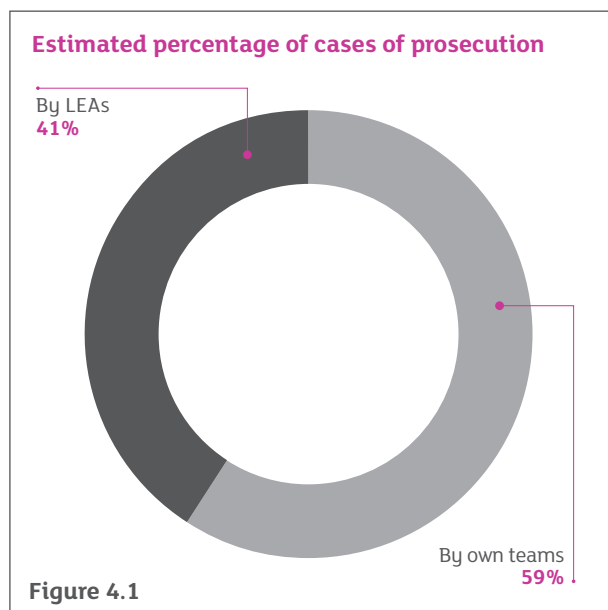


Figure 3.5

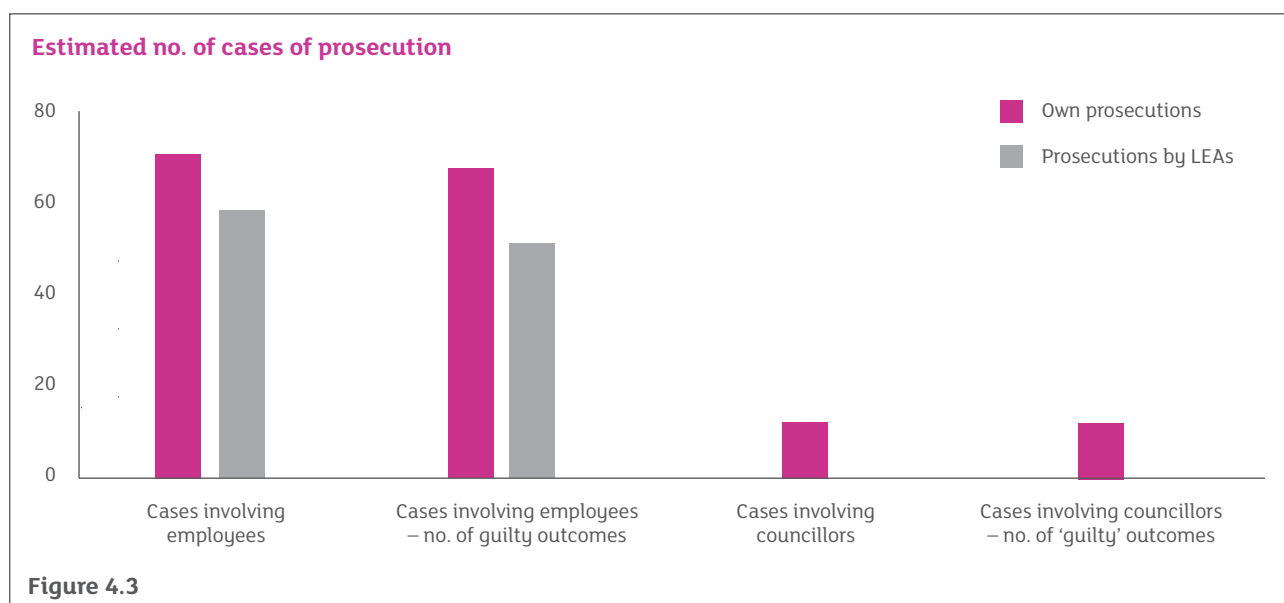
Prosecutions

Many organisations have the ability to undertake sanctions against those who commit fraud. This can be done in a variety of ways including via the police, the Crown Prosecution Service or in-house lawyers.

The figures below show how many prosecutions were carried out by local enforcement agencies (LEAs) or teams, and also how many guilty outcomes there were split by the prosecuting body.

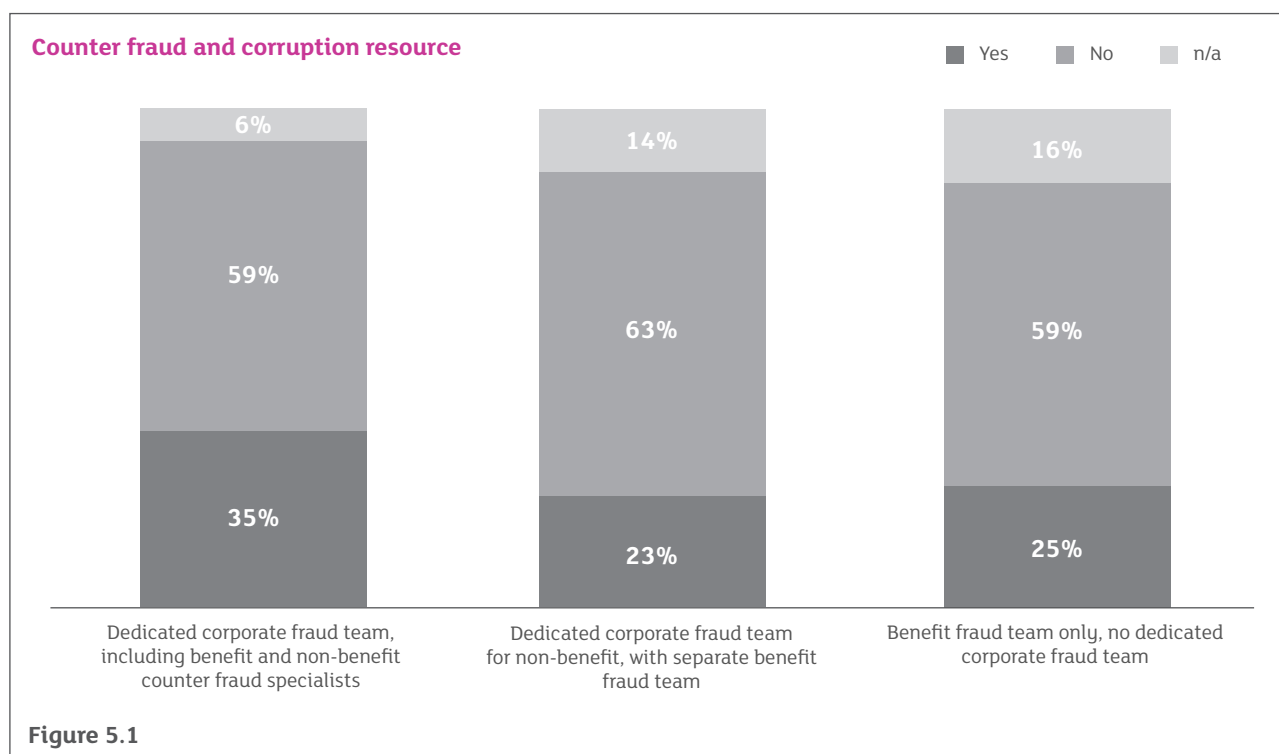


The following graphs apply only to local authorities and show how many prosecutions have been carried out involving staff and local elected members and how many of these resulted in a 'guilty' outcome.



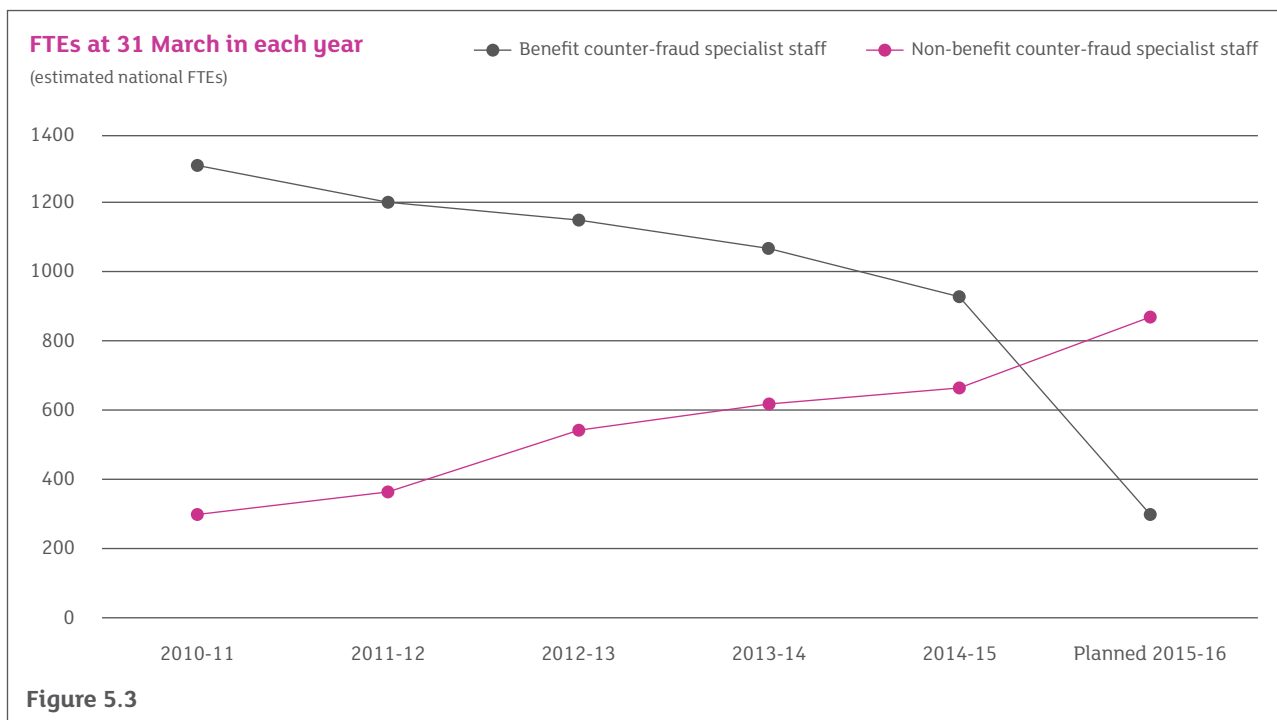
Counter fraud and corruption resources

Our survey asked a number of questions about those involved in the process of counter fraud. For local authorities the introduction of the Single Fraud Investigation Service (SFIS) is expected to have an effect on staff numbers and for other organisations it is reported that there is a reduction in resources.

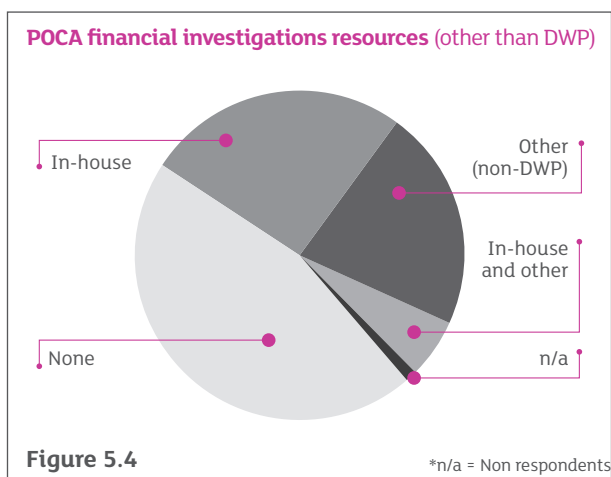


These two graphs show an actual figure and an estimated national figure across all organisations.





Under the Proceeds of Crime Act (PoCA) 2002, organisations are able to recoup the financial gains gotten as a result of the crime. The tables below show the resources that are invested in this activity and the money received as a result of this activity.



Money awarded by court through POCA, excluding housing benefit/council tax benefit (over the last three financial years)

Respondents: **£29.5m**

Estimated national figure: **£49.8m**

Money actually received through POCA, excluding housing benefit/council tax benefit (over the last three years)

Respondents: **£17.6m**

Estimated national figure: **£33.9m**

Counter fraud and anti-corruption plan

We asked about the type of plan that organisations have in place, whether it covered all types of fraud risk and how often it was re-assessed. In particular we asked about cyber risk (which was listed by respondents as emerging) and also the government's new anti-corruption plan.

When was your last assessment of corporate fraud risk?

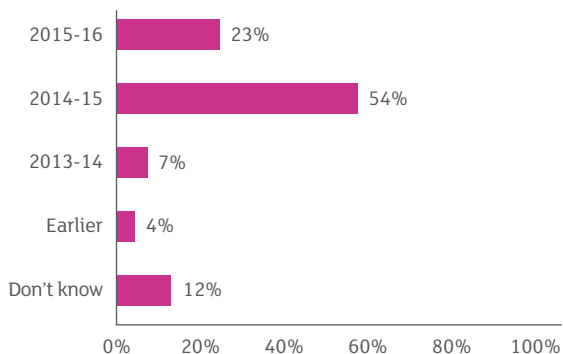


Figure 6.1

When was your last assessment of corruption risk?

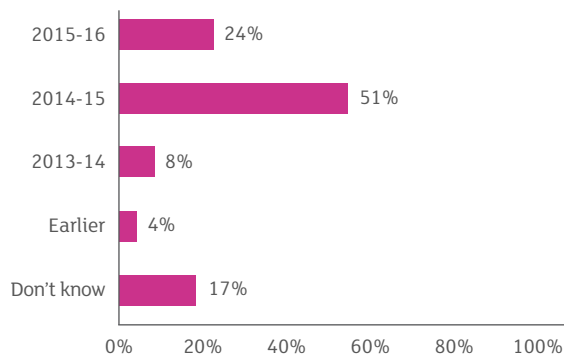


Figure 6.2

Is the assessment of cyber/e-fraud risk included in your corporate risk plan?

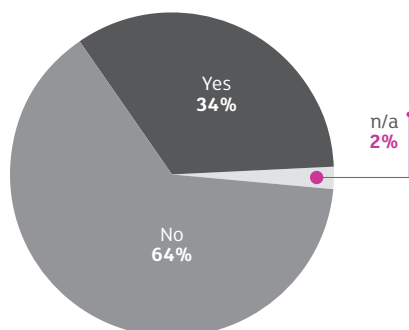


Figure 6.3

Does the updated plan reflect the changes requested in the UK Anti-Corruption Plan?

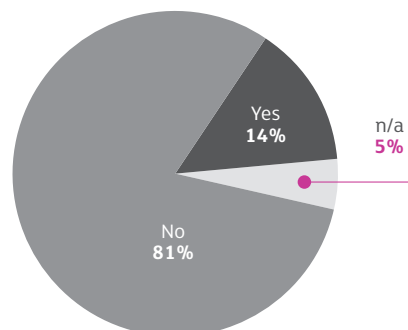


Figure 6.4

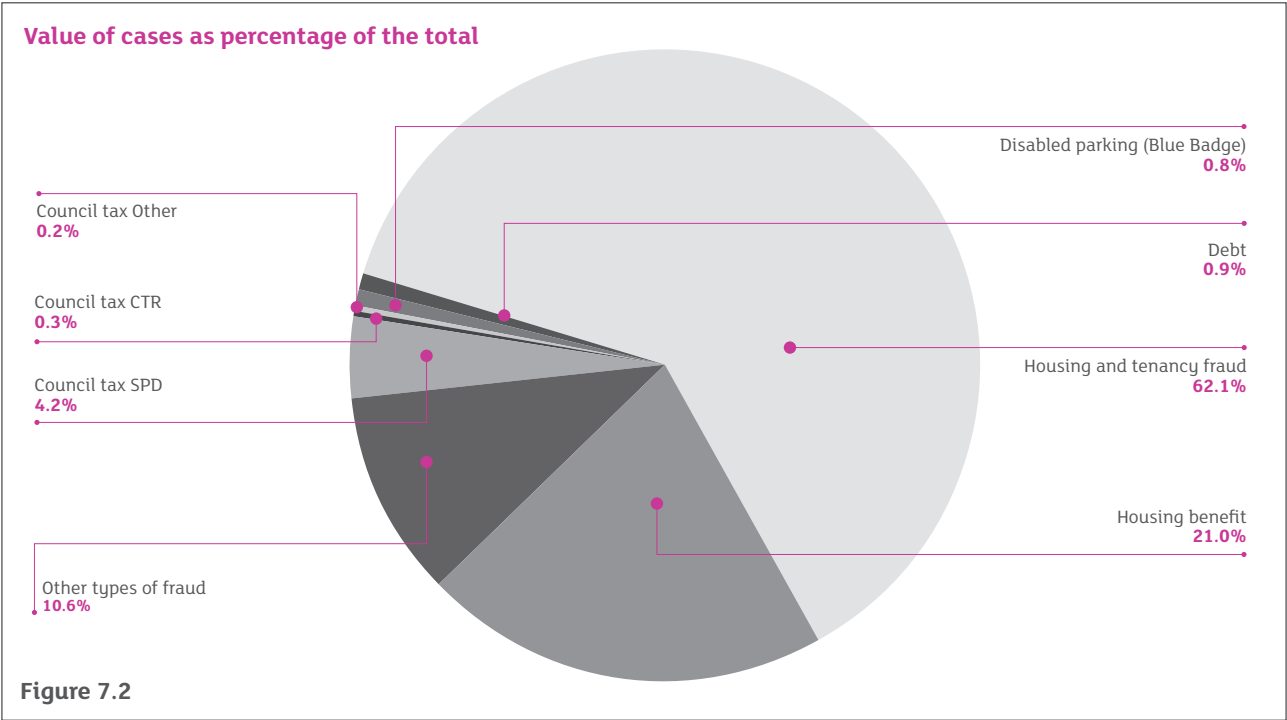
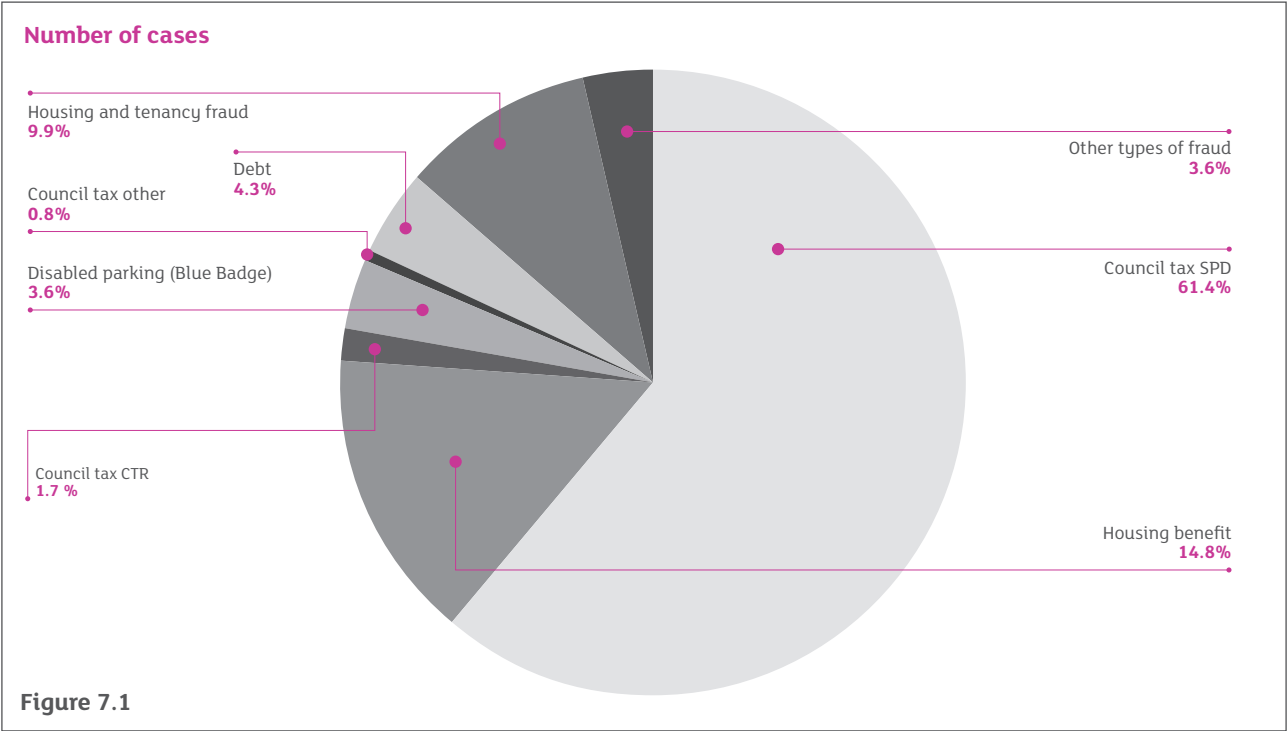
Enhancing counter fraud development

We asked organisations to briefly name the three most significant issues that need to be addressed to effectively tackle the risk of fraud and corruption.

1. Capacity (sufficient counter fraud resource)
2. Effective fraud risk management
3. Better data sharing

Fraud cases in London local authorities

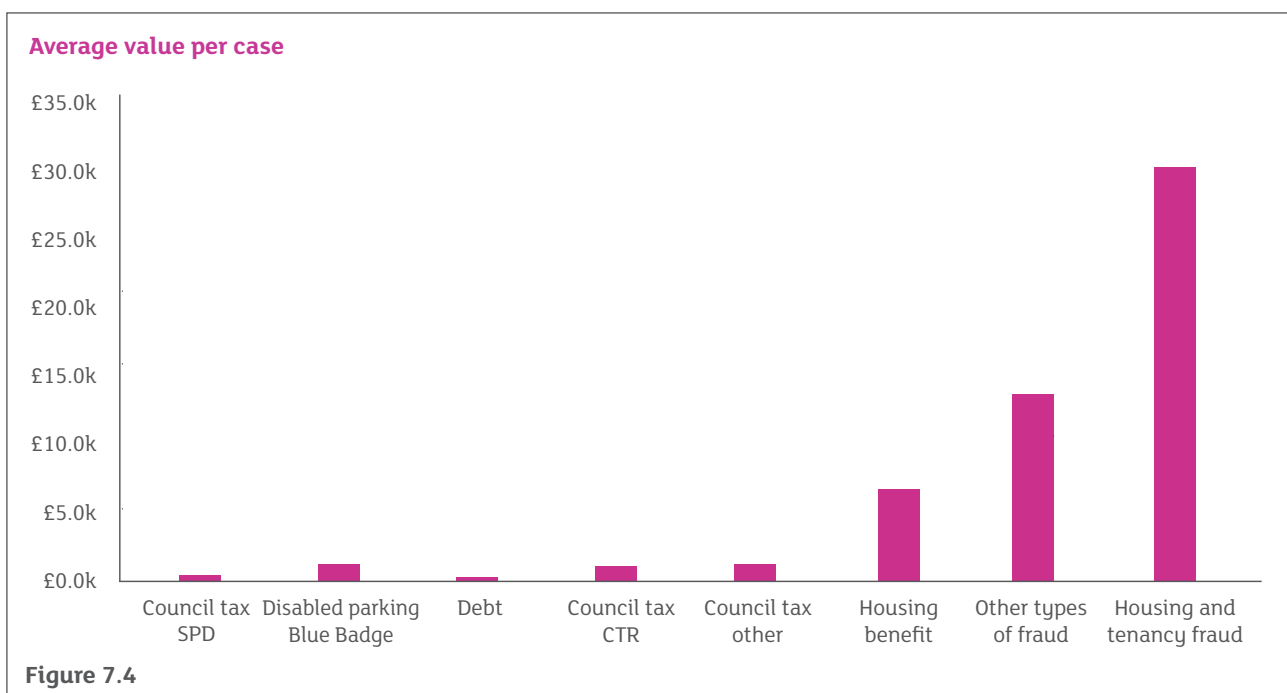
There was a 100% return rate from London local authorities and a selection of the results is included here. Further detailed figures are available, in particular on individual performance against the questions in FFL or on anti-corruption. To obtain this information please contact the CIPFA Counter Fraud Centre on counterfraudcentre@cipfa.org



It should be stressed that council tax was the highest figure in this group, and that many of these cases may not have been proven fraud but cases where overpayments were recovered without a prosecution or a sanction.

Types of Fraud	Fraud cases	% of total	Value £m	% of Total	Average £'k *
Council tax SPD	13,495	61.4%	£4.6m	4.2%	£0.34k
Housing benefit	3,245	14.8%	£22.8m	21.1%	£7.02k
Council tax CTR	363	1.7%	£0.3m	0.3%	£0.87k
Disabled parking concession (Blue Badge)	794	3.6%	£0.8m	0.8%	£1.03k
Council tax other	178	0.8%	£0.2m	0.2%	£1.00k
Debt	951	4.3%	£0.1m	0.1%	£0.16k
Housing and tenancy fraud	2,179	9.9%	£67.3m	62.6%	£30.91k
Other types of fraud	790	3.6%	£11.5m	10.7%	£14.59k
Types of Fraud	21,995	100%	£108m	100%	£4.89k

Figure 7.3

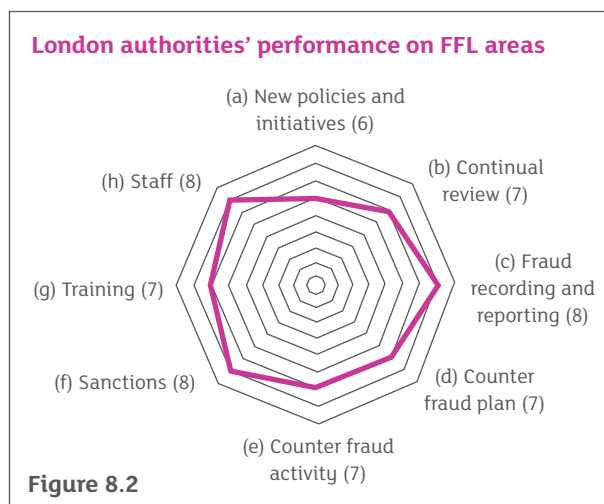


* Using these figures for London it has been possible to calculate an average value per case.

Fighting Fraud Locally

Fighting Fraud Locally (FFL) is the local government counter fraud strategy. Since 2012 CIPFA has been commissioned by the FFL Board to ask questions based on the strategy to give the Board assurance about how local authorities perform in certain areas.

In our survey we applied these questions to all respondents. The information is also supplied to the FFL Board for local authorities only. The diagrams below show how well organisations have applied the areas covered in FFL.



Emerging threats

We also asked for lists of emerging threats. If individual organisations or groups wish to have these by region we can supply them. There were over 110 different types of issues named, the most common recurring themes were as follows:

- Procurement frauds, ranging from the concept of a project through to contract management.
- Organisational change which leads to fraud risks.
- Personal budgets and direct payments.
- Housing tenancy fraud.
- Cyber and e-enabled fraud.

We would like to thank those that took part in this survey and look forward to working with you on the CIPFA Fraud and Corruption Tracker 2016. If organisations or regions wish us to undertake a survey for a particular region, please contact us at counterfraudcentre@cipfa.org. Individual profile reports are available for respondents to the 2015 survey at an introductory offer of £200 until the end of March 2016 and £250 thereafter.

For more information on the CIPFA Counter Fraud Centre, our training, products and services, please visit our website: www.cipfa.org/services/counter-fraud-centre



CIPFA COUNTER FRAUD CENTRE

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To subscribe to the CIPFA Counter Fraud Centre, which gives you access to the tools, alerts and resources needed to combat fraud in the public services, please complete the application form on our website.

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Whistleblowing e-learning

An accessible, interactive e-learning course for staff on whistleblowing and why it is important.

www.cipfa.org/services/counter-fraud-centre/e-learning/whistleblowing-elearning

Anti-bribery and corruption e-learning

An accessible, engaging e-learning package designed to help organisations strengthen their bribery and corruption defences.

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Agenda Item 9.

REPORT TO:	AUDIT PANEL
DATE:	1 March 2016
REPORTING OFFICER:	Ian Saxon – Assistant Executive Director Environmental Services
SUBJECT:	ASHTON CENTRAL MOSQUE (FORMERLY MARKAZI JAMIA MOSQUE) UPDATE
REPORT SUMMARY:	This report highlights the outstanding issues as part of the Relocation Agreement and Supplemental Agreement between Tameside and the Trustees of Ashton Central Mosque.
RECOMMENDATIONS:	That the report and the likely completion date of the land transfer be noted.
FINANCIAL IMPLICATIONS: (AUTHORISED BY THE SECTION 151 OFFICER)	The External Auditors in their Audit Findings Report 2015 have identified the outstanding issues relating to the Markazi Jamia Mosque as a risk, it is crucial that the matter is resolved. As the legal ownership has not formally passed to the Mosque Trustees, the Council could be liable for any structural or internal damages that may occur prior to legal transfer.
LEGAL IMPLICATIONS: (AUTHORISED BY THE BOROUGH SOLICITOR)	There is no reason why the transfer should not take place – any litigation that the Mosque Trustees may have with third parties is not connected with this.
LINKS TO COMMUNITY STRATEGY:	Prosperous Tameside Supportive Tameside
POLICY IMPLICATIONS:	There are no policy implications.
RISK MANAGEMENT:	Failure to transfer the asset exposes the Council to continued risk. If the Trustees and Galliford Try fail to reach a final settlement on the contract this could result in a legal challenge against the Council.
ACCESS TO INFORMATION:	The background papers relating to this report can be inspected by contacting the report writer, Lee Holland, Head of Environmental Services :



Telephone: 0161 342 3978



e-mail: lee.holland@tameside.gov.uk

1. BACKGROUND

- 1.1 On 8 January 2010 AGMA Wider leadership Team received an approval recommendation report for the Ashton Northern Bypass Stage 2 scheme, following an independent review of the business case for the scheme in December 2009.
- 1.2 On 29 January 2010, AGMA Executive endorsed the recommendation of the Wider Leadership Team, and granted full approval to the first part of the Ashton Northern Bypass Scheme Stage 2 (retaining walls, utility diversions and Mosque relocation), and at the same time granted conditional approval for the remaining highway works. Subsequently, on 26 November 2010, AGMA Executive endorsed the recommendation of the Wider Leadership Team, and granted full approval for the remaining highway works.
- 1.3 The Ashton Northern Bypass Stage 2 scheme comprised of a new road that linked Wellington Road from its junction with Turner Lane to Crickets Lane North at its junction with Penny Meadow. The road is a single lane width in each direction, widening out to additional lanes on approaches to traffic signalled junctions at Wellington Road/Turner Lane/ Warrington Street, Henrietta Street, and Penny Meadow/ Crickets Lane North.
- 1.4 The road runs adjacent to the south side of the railway line, through part of the existing car parks. Some land acquisition was required, including the Markazi Jamia Mosque on Newton Street and premises on Penny Meadow opposite Crickets Lane North. All the land, not in the Council's ownership, was acquired either by negotiation or via a Compulsory Purchase Order (CPO). The existing mosque was acquired for the bypass and a Relocation Agreement between Tameside and the Trustees of the mosque was signed on 16 June 2006 together with a Supplemental Agreement signed on the 25 May 2010.
- 1.5 The Trustees entered into a construction contract with Galliford Try Construction for the construction of the new mosque and works started on site in May 2010 with an anticipated completion date of May 2011. During the construction period delays were experienced due to inclement weather and unforeseen ground conditions amongst other things. These delays were causing an impact on the vacation of the existing mosque and thereby had the potential to delay the opening of the bypass, which carried serious reputational risk for the Council. To mitigate these delays and accelerate the completion of the mosque agreement was reach between the Trustees, Galliford Try and the Council to delete some none essential items from the construction contract. This enabled the contractor to achieve Practical Completion on 30 September 2011.
- 1.6 The Trustees vacated the existing mosque in October 2011 and the bypass was opened, on time, to the public on 30 January 2012.
- 1.7 During the Rectification Period for the Mosque a snagging list was produced by the Project Administrator, Catalyst Regeneration (UK) Ltd. The list consisted of 154 items to be corrected. During the last three years progress to resolve these issues has stagnated due to disputes between both parties. Currently there are 40 items on the snagging list still to be repaired and 5 contentious items that are in dispute.

2. OUTSTANDING ITEMS

- 2.1 There are three outstanding items to be finalised between the Trustees and Tameside, these are as follows:
 - Freehold land transfer for the new mosque site
 - The retention monies owed to the construction contractor, Galliford Try Construction
 - The remainder of the monies to the Trustees for the construction items taken out of the construction contract to accelerate completion of the new mosque

Freehold Land Transfer

- 2.2 Tameside has prepared the land transfer (TR1 form) and is awaiting confirmation / completion of this document from the Trustees' legal representatives. Tameside's legal services are communicating with the Trustee's legal representative with a view to completing the transfer as soon as possible.

Retention Monies

- 2.3 The construction contract for the new mosque is between The Trustees and Galliford Try Construction, Tameside are not party to this contract. Catalyst Regeneration (UK) Ltd was appointed as Architect and Project Administrator by the Trustees. As part of the Relocation Agreement Tameside is legally obliged to pay all eligible costs for the construction of the mosque which are authorised by the Project Administrator. The only outstanding payment on the construction contract is the retention monies (£76,353.96). However, due to the dispute the Project Administrator has not certified the release of any part of the retention.
- 2.4 Galliford Try has informed the Trustees and the Contract Administrator that if a determination on the retention monies has not been resolved imminently then they will be referring the matter for a legal contractual resolution.

Items taken out of the Construction Contract

- 2.5 There is £82,500 worth of items still outstanding to be completed by the Trustees that were taken out of the main construction contract to ensure the existing mosque could be vacated without having a consequential delay on the completion of the bypass contract. Some of these items cannot be completed until the defects have been rectified. Once these items have been completed or a full and final settlement agreement is signed between the Council and the Trustees the outstanding monies will be paid.

3. RECOMMENDATIONS

- 3.1 That the report and the likely completion date of the land transfer be noted.

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