

Public Document Pack

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A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 1 - EPH on **Tuesday 29 September 2015 at 9.30 am**

MEMBERS: Mrs P Tull (Chairman), Mr G Hicks (Vice-Chairman), Mr G Barrett, Mr I Curbishley, Mr A Dignum, Mrs N Graves, Mrs P Hardwick, Mr F Hobbs, Mr P Jarvis and Mr S Morley

AGENDA

- 1 **Chairman's Announcements**
Any apologies for absence that have been received will be noted at this point.
- 2 **Approval of Minutes** (Pages 1 - 6)
The committee is requested to approve the minutes of its ordinary meeting on 30 June 2015.
- 3 **Urgent items**
The chairman will announce any urgent items that due to special circumstances are to be dealt with under the Late Items entry at the end of this agenda.
- 4 **Declarations of Interest**
These are to be made by members of the Corporate Governance and Audit Committee or other Chichester District Council members present in respect of matters on the agenda for this meeting.
- 5 **Public Question Time**
The procedure for submitting public questions in writing by no later than 12:00 on the day before the meeting is available upon request to Member Services (the contact details for which appear on the front page of this agenda).
- 6 **Audit Results Report 2014/15 - Ernst & Young LLP** (Pages 7 - 46)
To consider and note the attached report which summarises the external auditor's audit conclusion in relation to the Council's financial position and results of operations for the year end 31 March 2015. To note the sector update provided.
- 7 **Statement of Accounts (Audited)**
To consider and adopt the audited Statement of Accounts for the year ended 31 March 2015 and to agree the Letter of Management Representation.

The report and appendices will be despatched separately to the agenda.

(Note: The appendices to this report will be circulated as separate documents to members of the committee and senior officers only. It may be viewed on the Council's website at

<http://chichester.moderngov.co.uk/ieListDocuments.aspx?CId=130&MId=321&Ver=4>.)

- 8 **Regulation of Investigatory Powers Act (RIPA) Policy** (Pages 47 - 76)

The committee is requested to recommend the Regulation of Investigatory Powers (RIPA) Policy and delegations in Appendix 1 to Cabinet for adoption.

The committee is also requested to agree that the monitoring officer report to this committee annually in the autumn on the use of surveillance, surveillance procedural change and on RIPA training for staff.

9 **Formal Complaints, FOI requests and subject access analysis 2014/15**
(Pages 77 - 91)

To consider and note this annual report and to make any appropriate recommendations as to future monitoring arrangements to identify business improvement.

10 **Fraud prevention report 2014/15** (Pages 92 - 94)

The Committee is requested to consider the report and proposals to adopt a corporate approach to fighting fraud, to ensure that it fulfils its stewardship role and protects the public purse, and note that potential frauds that the council has identified through participation in the National Fraud Initiative (NFI) are actively pursued.

11 **Internal Audit - Audit Plan Progress** (Pages 95 - 112)

The committee is requested to consider and note the audit plan progress report.

12 **Exclusion of the Press and Public**

There are no restricted items for consideration.

13 **Late items**

Consideration of any late items as follows:

- a) Items added to the agenda papers and made available for public inspection
- b) Items that the chairman has agreed should be taken as a matter of urgency by reason of special circumstances to be reported at the meeting

NOTES

1. The press and public may be excluded from the meeting during any item of business wherever it is likely that there would be disclosure of "exempt information" as defined in section 100A of and Schedule 12A to the Local Government Act 1972
2. The press and public may view report appendices which are not included with their copy of the agenda on the Council's website at [Chichester District Council - Minutes, agendas and reports](#) unless these contain exempt information.
3. Subject to the provisions allowing the exclusion of the press and public, the photographing, filming or recording of this meeting from the public seating area is permitted. To assist with the management of the meeting, anyone wishing to do this is asked to inform the chairman of the meeting of their intentions before the meeting starts. The use of mobile devices for access to social media is permitted, but these should be switched to silent for the duration of the meeting. Those undertaking such activities must do so discreetly and not disrupt the meeting, for example by oral commentary, excessive noise, distracting movement or flash photography. Filming of children, vulnerable adults or members of the audience who object should be avoided. (Standing Order 11.3)
4. Restrictions have been introduced on the distribution of paper copies of longer appendices to reports where those appendices are circulated separately from the agenda as follows:
 - 1) Members of the Corporate Governance & Audit Committee, the Cabinet and Senior

- Officers – receive paper copies including the appendices
- 2) Other Members of the Council – Appendices may be viewed via the Members' Desktop and a paper copy will be available in the Members' Room at East Pallant House.



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 1, East Pallant House on Tuesday 30 June 2015 at 2.00 pm

Members Present: Mrs P Tull (Chairman), Mr G Hicks (Vice-Chairman), Mr G Barrett, Mr I Curbishley, Mrs N Graves, Mrs P Hardwick, Mr P Jarvis and Mr S Morley

Members not present: Mr T Dempster and Mr F Hobbs

In attendance by invitation: Mr P King (Ernst & Young LLP), Mr M Bleakley (South Downs National Park) and Ms E Munns (West Sussex County Council)

Officers present all items: Mr J Ward (Head of Finance and Governance Services), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer), Ms N Golding (Principal Solicitor and Monitoring Officer), Mr D Hyland (Community and Partnerships Support Manager), Miss L Le Vay (Design and Implementation Manager), Miss A Loaring (Partnerships Officer), Mrs A Stevens (Environment Manager) and Ms D Kirkham (Revenues and Benefits Service Manager)

1 **Chairman's Announcements**

The Chairman welcomed all to the first meeting of this committee following the elections, especially the new members. Apologies had been received from Mr T Dempster and Mr F Hobbs.

2 **Approval of Minutes**

The Chairman advised that the report on Coinco at minute 237 would be delayed to the September meeting of this committee. The minutes of the meeting held on 12 March 2015 were agreed as a correct record.

3 **Urgent items**

There were no urgent items.

4 **Declarations of Interest**

There were no declarations of interest.

5 **Public Question Time**

No public questions had been received.

6 Audit Plan progress report 2014/15 and sector update

Mr P King from Ernst & Young LLP presented these agenda reports (copies attached to the official minutes).

In response to a question on Transport Infrastructure Assets, Mr Ward advised the committee that the Council, being a non-highway authority, had no assets and he was not aware of any roads on industrial estates which were not currently adopted.

RESOLVED

- 1) That progress against the Audit Plan 2014/15 be noted.
- 2) That the EY sector report be noted.

7 Annual Audit and Certification Fees 2015/16

Mr P King presented this agenda report (copy attached to the official minutes).

Mr King drew members' attention to the reduction in certification fees for 2015/16 which was a result of the Audit Commission closure and the retendering of contracts. This reduction was on top of the 40% reduction from 2013/14. Further reductions in fees may be possible in the future if larger scale local authority procurement is carried out. It would not be possible to get these reductions in smaller procurement groups.

RESOLVED

That the Ernst & Young LLP Audit and Certification Fees 2015/16 be noted.

8 Partnerships Annual Report

The committee considered this agenda report (copy attached to the official minutes).

Miss Loaring provided answers to questions on performance information included in the strategic partnership information relating to Manhood Peninsular Partnership funding, Killed & Seriously Injured (KSI) rates and the Human Trafficking Group work.

She also explained the changes made to the Partnership Guidance as a result of the recommendation made by the Strategic Risk Group on 8 December 2014. Additional guidance had been included for officers working with grant applications or being commissioned by a partner to ensure all risks were being considered before finalising financial agreements. Training would be provided to officers and members over the next few months.

RESOLVED

- 1) That the Council's strategic partnerships have appropriate governance measures in place.
- 2) That the revised Partnership Guidance be noted.
- 3) That the committee continue to receive an annual report of the Council's strategic partnerships.

9 Internal Audit: Audit Plan Progress

Mr James presented this report (copy attached to the official minutes).

The two audit reports were considered. Mrs D Kirkham, Revenues and Benefits Manager, informed the committee of plans to restructure the Housing Benefit service to deal with accuracy checks more robustly and therefore to meet audit requirements. In response to concerns from members about the lack of resources and loss of staff, Mr Ward reassured the committee by giving an update on the changes to the Accountancy service which had taken place over the last two years and current and future proposed vacancy levels.

Mr James confirmed that the Internal Audit team was on target with resourcing the current Audit Plan.

RESOLVED

- 1) That the audit reports on G4S and Key Financial Systems 2014/15 be noted.
- 2) That progress against the Audit Plan 2015/16 be noted.

10 2014/15 Annual Governance Statement and Corporate Governance report

Mr James presented this agenda report (copy attached to the official minutes).

There were some comments made about the content of the Annual Governance Statement relating to its form and developing a more positive tone. Some amendments were suggested and it was agreed that these would be incorporated and the revised draft statement sent to Mrs Hardwick and Mrs Tull for final approval before this is signed off by the Leader and the Chief Executive.

RESOLVED

That in future a draft of the Annual Governance Statement be circulated to the Chairman and the Cabinet Member for Finance & Governance for review before it is considered by the Senior Leadership Team.

RECOMMENDED TO COUNCIL

That the Corporate Governance & Audit Committee's annual report on the Council's governance arrangements be noted.

11 Budget Carry Forward Requests

The committee considered the agenda report (copy attached to the official minutes).

Mr Ward explained to the committee the process followed in considering unspent balances in 2014/15 and reconsidering these for inclusion in the budget for 2015/16.

RECOMMENDED TO CABINET

That the requests totalling £215,500 for budgets to be carried forward in 2015/16 be approved.

12 S106 Annual Monitoring Report

Mrs L Le Vay attended to present this agenda report (copy attached to the official minutes).

Mr A Frost provided an oral update on the progress of implementing the Community Infrastructure Levy (CIL).

Mr Oakley, with permission from the Chairman to speak, raised the issue of the bus shelter at Farris Field (pg 182 of the agenda papers), money which had not been spent since 2002 and was now lost unless the developer were to be approached. As a County councillor Mr Oakley was requested to take this up with WSCC as bus shelters were under their remit.

Mr Oakley requested that monies held or unspent by West Sussex be included in the report information reflecting monies spent in the last year (page 162). This will be included in future.

Mr Barrett requested to know when monies from developers was forthcoming on the Donnington roundabout project. Ms Munns, WSCC, advised that she would take this back and respond to the committee on the timing of the release of these funds.

Mr Barrett asked about trigger points for S106 contributions payable for the Chaucer Drive, West Wittering Development. Mrs Le Vay undertook to provide an answer to Mr Barrett.

Mrs Hardwick was concerned about the Council's resources in place to cope with new CIL procedure and processes. Mr Frost was currently considering the resources required to be in place to support CIL processes.

Mr Bleakley, South Downs National Park, gave a brief update on S106 funding at that organisation. £572,000 had been collected with £1.22m to be received. The

funds were split 75% to district councils and 25% to WSCC for affordable housing, community facilities and public art.

Mrs Le Vay explained that even once CIL is in place, S106 funding would still be spendable in the future over a number of years.

RESOLVED

- 1) That the income and expenditure between 1 April 2014 and 31 March 2015 in respect of S106 contributions be noted.
- 2) That the information on agreements within two years of the expenditure target date, set out in Appendix 4 of the report, be noted.
- 3) That the details of non-financial obligations, set out in Appendix 5, be noted.
- 4) That the current situation with respect to the implementation of the Community Infrastructure Levy (CIL), set out in Section 8 of the report, be noted.

13 Election of members to represent the committee on the Strategic Risk Group

RESOLVED

That Mr G Barrett, Mr G Hicks and Mrs T Tull be appointed as the committee's representatives on the Strategic Risk Group.

14 Exclusion of the Press and Public

RESOLVED

That in accordance with section 100A of the Local Government Act 1972 (the Act), the public and the press be excluded from the meeting during the consideration of the following item on the agenda for the reason that it is likely in view of the nature of the business to be transacted that there would be disclosure to the public of exempt information' being information of the nature described in Paragraph 5 (information in respect of which a claim or legal professional privilege could be maintained in legal proceedings) of Part I of Schedule 12A to the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

15 Potential liabilities of outstanding litigation

Ms Golding, Principal Solicitor, reported to the committee on the Council's current on-going legal negotiations.

RESOLVED

That the potential liabilities of the Council be noted.

The meeting ended at 4.10 pm

CHAIRMAN

Date:

Chichester District Council

Audit results report for the year ended 31 March 2015

September 2015

Ernst & Young LLP



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Private and confidential

Corporate Governance & Audit Committee
Chichester District Council
East Pallant House
1 East Pallant
Chichester
West Sussex
PO19 1YT

29 September 2015

Dear Committee Members

Audit results report

We are pleased to attach our audit results report for the Corporate Governance & Audit Committee. This report summarises our preliminary audit conclusion in relation to Chichester District Council (the Council's) financial position and results of operations for the year ended 31 March 2015.

The audit is designed to express an opinion on the 2014/15 financial statements, to reach a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, and to address current statutory and regulatory requirements. This report contains our findings on the areas of audit emphasis, our views on the Council's accounting policies and judgments, and any significant deficiencies in internal control.

This report is intended solely for the information and use of the Corporate Governance & Audit Committee and the Council. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of the report with you at the forthcoming Corporate Governance & Audit Committee meeting.

Yours faithfully
For and on behalf of Ernst & Young LLP

Paul King
Ernst & Young LLP
United Kingdom
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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#). This document serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive Summary

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In this statement the Authority reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and any planned changes in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ expressing an opinion on:
 - ▶ the 2014/15 financial statements;
 - ▶ the consistency of other information published with the financial statements,
- ▶ reporting by exception where the Annual Governance Statement (AGS) does not comply with relevant guidance;
- ▶ reviewing and reporting on the Council's Whole of Government Accounts (WGA) return;
- ▶ forming a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and,
- ▶ discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

This report also contains our findings on the areas of audit emphasis and any significant deficiencies in internal control or views on the Council's accounting policies and judgements.

Summarised below are the conclusions from all elements of our work:

Financial statements

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.

Our main audit findings are set out below.

Significant risks

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Audit findings and conclusions

We have completed our programme of planned work in relation to the identified risk.

We identified no material misstatement due to fraudulent financial reporting or evidence of material fraud.

Control themes and observations

We identified no significant deficiencies in internal control.

There are, however, three issues which we wish to bring to your attention. The first two of these issues were initially highlighted in our 2013/14 audit results report:

- ▶ We identified some weaknesses in the Council's approach to estimating the provision required to account for the potential cost of successful appeals against national non-domestic rates (NNDR) valuations. We are satisfied that the provision included in the 2014/15 financial statements was accurate within material tolerances and based on reasonable assumptions. There were, however, some formulaic errors in the Council's model used to estimate the provision.
- ▶ We identified some weaknesses in the level of evidence supporting the income included in the Council's financial statements for the sale of Council dwellings by Hyde Housing Association Limited to which the Council is contractually entitled. Our testing showed that the Council still remains solely reliant on information provided by the Housing Association to support the income and year-end debtor accounted for in the Council's financial statements. The Council has sought to address this issue in the year and we accept that it is not clear how independent confirmation of the disposal value could be obtained.
- ▶ As part of your work to review the bad debt provision we noted a difference of approximately £138,000 between the value of housing benefit overpayment debtors recorded on the general ledger and reported in the financial statements, and the equivalent value recorded on the Northgate housing benefit system. Work undertaken by the Council suggests that this difference pre-dated 2014/15 and we are satisfied that it is not material to our responsibilities.

Summary of audit differences

Our audit identified a number of misstatements in the accounts presented for audit. There are no uncorrected misstatements resulting from our work. There is one significant corrected misstatement arising from the audit which is set out in Section 8.2 of this report.

Economy, efficiency and effectiveness

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified value for money conclusion.

Whole of Government Accounts

We have performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes. We had no issues to report.

Audit certificate

The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

2. Scope update

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan issued in February 2015, the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the Audit Commission.

Our work comprises a number of elements. Our Audit Plan provided you with an overview of our audit scope and approach for:

- ▶ expressing an opinion on:
 - ▶ the 2014/15 financial statements;
 - ▶ the consistency of other information published with the financial statements,
- ▶ reporting by exception where the Annual Governance Statement (AGS) does not comply with relevant guidance;
- ▶ reviewing and reporting on the Council's Whole of Government Accounts (WGA) return;
- ▶ forming a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and,
- ▶ discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

We carried out our work in accordance with our Audit Plan.

3. Significant findings from the financial statement audit

In this section of our report we outline the main findings from our audit of your financial statements, including our conclusions on the areas of risk/ audit emphasis outlined in our Audit Plan.

Significant risk: Risk of management override

Description and audit response

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Our approach focused on:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for any significant unusual transactions.

Audit findings and conclusions

Our work identified no material misstatement due to fraudulent financial reporting or other evidence of material fraud.

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to report on:

- ▶ significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ significant difficulties, if any, encountered during the audit;
- ▶ significant matters, if any, arising from the audit that were discussed with management;
- ▶ written representations we are seeking;
- ▶ expected modifications to the audit report;
- ▶ other matters if any, significant to the oversight of the financial reporting process;
- ▶ findings and issues regarding the opening balance on initial audits (if applicable);
- ▶ related parties;
- ▶ external confirmations;
- ▶ going concern;
- ▶ consideration of laws and regulations; and
- ▶ group audits.

We wish to draw your attention to the following issues.

Policy/practice/finding	EY comments
<p>Staffing in Finance</p> <p>As part of its broader plan of service reviews the Council has undertaken some restructuring of Finance and Accountancy Services during the year.</p> <p>Although the required changes to the Finance Department have successfully been made, some unplanned staff departures have occurred which have resulted in the Department operating below the revised establishment during the period of the audit.</p>	<p>Staffing shortages in Finance and Accountancy Services did have some impact on the capacity of officers to respond to queries arising from the audit. Recruitment is currently in train to address this.</p>
<p>Indexation of property, plant and equipment (PPE) values</p> <p>The Council needs to be able to demonstrate that the carrying value of PPE assets is materially correct at the balance sheet date.</p> <p>Land and building valuations are based upon valuation reports issued by the professional valuer used by the Council. The valuations are carried out in accordance with the methodologies and bases for estimation set out in relevant professional standards. The Council carries out a rolling programme for revaluing its PPE assets, excluding a limited number of assets, which ensures that all PPE assets required to be measured at fair value are revalued at least every five years. In adopting this rolling programme of revaluations it is important that the Council is able to demonstrate the carrying value of assets not subject to revaluation in the year of account is not materially mis-stated.</p> <p>As part of our work we also note that annual revaluations are undertaken at the start of the year of account rather than as at the balance sheet date.</p>	<p>Build cost indices have increased significantly over the last five years. In accordance with the Code of Practice on Local Authority Accounting in the UK the Council values the proportion of its general fund property which is specialised in nature at depreciated replacement cost (DRC). The building element of a DRC valuation is based on build costs. In both cases adjustments are made for known local factors. Given the increases in indices build costs, and the fact that only 20 per cent of DRC assets are reviewed annually and as at the start of the year, we challenged the Council's approach to valuing DRC buildings. We specifically asked the Council to evidence that it was not necessary to apply indexation to ensure that the carrying value of DRC buildings was materially correct as at the balance sheet date.</p> <p>As a result of our challenge and additional work undertaken by the Council based on appropriate building cost indices it has determined that it is necessary to increase the carrying value at the balance sheet date of buildings valued at DRC by £1.664 million.</p>
	<p>See recommendation 1</p>

We consider some qualitative aspects of accounting practices initially reported as part of our 2013/14 audit in Section 5 of this report.

Recommendation 1

The Council should ensure that:

- ▶ All property, plant and equipment revaluations are undertaken as close to the balance sheet date as reasonably possible.
- ▶ The scope of the annual impairment review undertaken by the Council's valuer is extended to explicitly consider the need to uplift asset values. This should consider both the results of actual revaluations undertaken across significant classes of assets and more widely available evidence of changes in value, for example available indices.

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining corporate performance management and financial management arrangements we consider the following criteria specified by the Audit Commission:

- ▶ arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue operating for the foreseeable future; and
- ▶ arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions or improving efficiency and productivity.

We did not identify any significant risks to the value for money (VFM) conclusion. However, as part of our Audit Plan we identified key areas, or non-significant risks, that we considered to support our VFM conclusion. The results of our work are set out below.

Non-significant risk: Delivering efficiencies to secure financial resilience

Description and audit response

Like other local government bodies the Council continues to face financial challenges over the medium term. A clear focus on addressing high cost areas is therefore essential to the economy, efficiency and effectiveness of services delivered and the overall financial resilience of the Council.

In previous years we used the Audit Commission's value for money profile tool to assess Council spending against similar councils and over time. Our review of the 2013/14 VFM profile data showed that the Council's costs per capita relative to its statistical nearest neighbours remained relatively high. However, this was partially offset by a relatively high level of income from fees and charges resulting in an average council tax financing requirement.

The Council's financial position remained sound at the end of 2013/14 and it continued to be financially resilient. The Council's medium term financial model had been updated to consider the 5 year future period up to and including 2019/20. For the first four years the Council budgeted to deliver surpluses of between £258,000 and £827,000, and forecast break-even in year five. The delivery of this forecast was not without risk and is dependent on the delivery of the Council's agreed deficit reduction programme and the realisation of other additional income.

In response to this our approach focused on:

- ▶ Consideration of the relative spending of the Council by reference to comparable authorities and previous years using the Audit Commission's VFM profile tool.
- ▶ Review of the reasonableness and robustness of medium term financial planning assumptions set out in the refreshed medium term financial strategy and plan and five-year financial model.

Non-significant risk: Delivering efficiencies to secure financial resilience

Impacts on arrangements for:

Economy, efficiency and effectiveness

Financial resilience

Audit findings and conclusions

Consideration of the relative spending of the Council based on the VFM profile tool

Public Sector Audit Appointments Ltd (PSAA) will continue to produce value for money profiles for local authorities on an annual basis. This provides an indication of the relative spending of an individual body against a comparator group of statistical nearest neighbours which have similarities in population, expenditure, and geographical area. We have used the latest available VFM profile data, largely relating to financial year 2013/14, to review the cost and efficiency of Council services.

Our review of the data shows that although the overall level of spending is reducing, the spending of the Council relative to others is broadly consistent with the previous period. The Council's spending per head relative to its statistically nearest neighbours remains relatively high and in the highest 20 per cent. This is true for both its overall per capita spending and per capita spending in the majority of its main service areas. This is consistent with our prior year findings, however we note that the impact of recent restructuring and service reviews undertaken at the Council is unlikely to have yet filtered through to the 2014/15 comparative data which is not yet available.

In terms of financial resilience the Council Tax financing requirement compared to statistically nearest neighbours is above average and the value of income from fees and charges remains in the top five per cent. This results in a below average level of net service spend relative to nearest neighbours, although net spend per capita and total spend both remain relatively high. The Council's financial standing remains sound and it has a relatively high level of unallocated reserves.

The pattern of the Council's relative spending remains similar when compared to all district councils. However the relative sending of the Council is lower in the majority of areas, and closer to average, when judged against all district councils than when compared to only its statistical nearest neighbours..

The reasonableness and robustness of medium term financial planning assumptions set out in the refreshed medium term financial strategy and plan and five-year financial model

The Council successfully delivered against its 2014/15 budget and maintained a sound level of balances and reserves at the end of the year.

The net expenditure of the Council in 2014/15, including Parish Council precepts and the Internal Drainage Board Levy, was approximately £14.3 million. This represented an underspend of approximately £1.8 million against the general fund budget. Capital expenditure in the year amounted to £5.64 million. There was no significant under or over-spending on individual schemes against budget, but there has been approximately £1m of slippage to 2015/16. The level of balances held by the Council remained healthy, with some £24.0 million held in earmarked reserves and a further £10.7 million in the General Fund.

There have been no formally approved changes to the Council's five year financial plan and strategy to the version considered at the December 2014 meeting of the

Non-significant risk: Delivering efficiencies to secure financial resilience

Cabinet that we considered at the planning stage of our work. That plan forecasts that the Council will deliver surpluses of between £258,000 and £827,000 for the first four years of the plan, which covers a five year period from 2015/16, and plans to broadly breakeven by year five. We have considered the key assumptions which underpin the financial plan, including assumptions made on delivery of savings, and have concluded they are reasonable in light of both the medium term financial outlook for local government and the Council's current track record of performance. In particular we note that the five year model assumes the receipt of no New Homes Bonus (NHB) from 2016/17 onwards. We also note that NHB received up to and including 2014/15 has not been used to support revenue spending. NHB received to the end of 2014/15 has been appropriated to an earmarked reserve where balances are accumulating. In doing this the Council has been able to use NHB funding solely for community benefit which is in accordance with the underlying purpose of the grant. The Council does recognise that NHB may need to be called upon in the future to support Council spending if other changes are not made, but this is not explicitly factored into the MTFS assumptions.

Work is already in train to update the financial plan. A member and officer workshop held in July 2015 considered an updated version of the financial model, an update on the funding pressures faced by local government and the Council's progress in securing efficiencies and maximising revenues, including progress against its deficit reduction programme.

We note that the Council's updated five year plan, assuming a two per cent increase in council tax each year, shows an improved level of surplus over the five year period including a surplus in year five. The main changes that have led to this are:

- ▶ An assumption that the Council will generate more income through retained business rates. The assumption used in the previous iteration of the plan and annual budgets was that the Council would perform at safety net level. This has not proved to be the case and has, in part, led to the underspending against the General Fund budget in 2014/15. The new assumption is still considered to be prudent, but is more realistic.
- ▶ Increased levels of income brought about by a changed approach to investment of available funds. Management of the Council's capital programme is now being more explicitly linked to the need to achieve efficiencies and operate in a commercial manner. The programme, from June 2015, has been split and is managed by three separate corporate programme boards:
 - The Business Improvement Board. The role of the Business Improvement Board is to consider the systems, equipment and technology used by the Council to deliver services. Its role is to oversee business transformation, challenging process and delivery mechanisms and managing skills and resources. It also has a wider remit to consider how services might be delivered differently, for example through partnership working, shared services or outsourcing
 - The Commercial Board. The role of the Board is to take a strategic overview of commercial activity and new opportunities, to prioritise Board schemes/projects to support the Council's Corporate Plan and to manage skills with a view to maximising income opportunities. The Board is leading on a more commercial approach to the acquisition of investment property. During 2014-15 the Council made a £1.6 million capital acquisition to become the landlord for shops with existing tenants in Crane Street Chichester. It forecast that it will achieve an annual return of eight to nine per cent on its investment, out-stripping the performance it could achieve by making traditional investment of

Non-significant risk: Delivering efficiencies to secure financial resilience

available balances. The Council plans to recycle investment income generated for further investment in the future.

- The Infrastructure Board. The role of the Board is to oversee key processes and procedures relating to the prioritisation and delivery of infrastructure, and ensuring the necessary skills and resources are in place to ensure success of the programme

Modelling underpinning the five year plan is in the process of being updated to project the impact of various scenarios such as the possible continuation of Council Tax freeze and other potential financial risks.

Based on all of the work undertaken we have no material concerns over either the Council's arrangements to secure VFM is the way that it uses its resources or its financial resilience over the medium term. Therefore, we have concluded that the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

5. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

5.1 Current year observations

We identified no significant deficiencies in internal control.

There are, however, three issues which we wish to bring to your attention. The first two of these issues were initially highlighted in our 2013/14 audit results report:

- ▶ In 2013/14 we identified some weaknesses in the Council's approach to estimating the provision required to account for the potential cost of successful appeals against national non-domestic rates (NNDR) valuations. Although we are satisfied that the provision included in the 2014/15 financial statements was accurate within material tolerances and based on reasonable assumptions there were some formulaic errors in the Council's model used to estimate the provision. There is also some evidence of the Council considering actual 2014/15 data on success rates to support the key assumptions used in its model, but the Council's approach in this area was not clearly explained in working papers produced. No amendments were made to the provision disclosed in the financial statements as a result of our work as we are satisfied it remained a reasonable estimate that is likely to be accurate within material tolerances, but there remains scope to further develop the Council model and supporting working papers. We also note the Council did make use of an external assessment to help assess the reasonableness of the provision calculated using its own model that was disclosed in the financial statements. **See recommendation 2.**
- ▶ In 2013/14 we identified some weaknesses in the level of evidence supporting the income included in the Council's financial statements for the sale of Council dwellings by Hyde Housing Association Limited to which the Council is contractually entitled. Inaccurate data initially provided by Hyde in a prior year had led to some corrections being required in 2013/14. Our testing showed that the Council's still remains solely reliant on information provided by the Housing Association to support the income and year-end debtor of approximately £880,000 accounted for in the Council's financial statements. The Council has sought to address this issue in the year and we accept that it is not clear how independent confirmation of the disposal value could be obtained.
- ▶ As part of your work to review the bad debt provision we noted a difference of approximately £138,000 between the value of housing benefit overpayment debtors recorded on the general ledger and reported in the financial statements, and the equivalent value recorded on the Northgate housing benefit system. Work undertaken by the Council suggests that this difference pre-dated 2014/15 and we are satisfied that it is not material to our responsibilities. The Council should continue to investigate, fully reconcile and resolve the difference. **See recommendation 3.**

Recommendation 2

Continue to refine and improve the Council's model for estimating the potential cost of successful appeals against NNDR valuations. In particular seek to eliminate formulaic errors and be clearer on how historic data on successful appeals is used to estimate the potential future cost to the Council.

Recommendation 3

Investigate, fully reconcile and resolve the historic difference between the value of housing benefit overpayment debtors recorded on the general ledger and reported in the financial statements, and the equivalent value recorded on the Northgate housing benefit system.

6. Status of our work

6.1 Financial statement audit

Our audit work for our opinion on the Authority's financial statements is substantially complete. The following items were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Letter of representation	To be tabled at Corporate Governance & Audit Committee on 29 September 2015.	Management and Corporate Governance & Audit Committee

On the basis of our audit work to date, we anticipate issuing an unqualified auditor's report on the Council's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete.

We expect to present an unqualified value for money conclusion on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

7. Fees update

A breakdown of our fee is shown below.

	Proposed final fee 2014/15 £'000	Planned fee 2014/15 £'000	Scale fee 2014/15 £'000
Total Audit Fee – Code work	65,453	65,453	65,453
Certification of claims and returns*	10,010	10,010	10,010

Our actual fee is in line with the agreed fee.

Fees for the auditor's consideration of correspondence from the public and formal objections are charged in addition to the scale fee.

**Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance in January 2016 within the Annual Certification Report for 2014 /15.*

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'factual' or 'judgemental'. Factual differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances which are uncertain or open to interpretation.

We determined planning materiality to be £1.489 million (2014: £1.456 million), which is 2% of gross expenditure reported in the accounts of £74.448 million. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.

We set our tolerable error for the audit at the upper end of the available range. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.

We agreed with the Corporate Governance & Audit Committee that we would report to the Committee all audit differences in excess of £1.117 million (2014: £1.092 million). There was one corrected misstatement above this level which is set out in Section 8.2 below.

8.1 Uncorrected misstatements

We highlight the following uncertainty which has not been corrected by management. There are no uncorrected misstatements resulting from our work.

8.2 Corrected misstatements

We highlight in particular the following misstatement identified during the course of our audit and which have been corrected by management.

As a result of audit challenge the Council has applied indexation to ensure that the carrying value of buildings valued at DRC is materially correct as at the balance sheet date. This increased the carrying value of Property Plant and Equipment and the Revaluation Reserve in the balance sheet date by approximately £1.664 million.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated February 2015. We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Standing Guidance: in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the Corporate Governance & Audit Committee on 29 September 2015.

Appendix A Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Any significant difficulties encountered during the audit ▶ Any significant matters, arising from the audit that were discussed with management ▶ Written representations we are seeking ▶ Expected modifications to the audit report ▶ Any other matters significant to the oversight of the financial reporting process 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit results report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud we have identified or information we have obtained indicating that a fraud may exist ▶ A discussion of any other matters related to fraud 	By correspondence with the Chair of the Corporate Governance & Audit Committee dated 11 March 2015 Audit results report
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report. No significant matters identified.
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Management has not refused for us to request external confirmations.

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	<p>We have not identified any material instances of non-compliance with law and regulation.</p> <p>We made written enquiries to managements and those charged with governance. We also have also received representations as part of the letter of management representation. No instances of material non-compliance have been disclosed by either management or those charged with governance.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan and update in section 9 of this report.</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Audit results report.</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit results report.</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	<p>Audit Plan and Audit results report</p>
<p>Summary of certification work undertaken</p> <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	<p>Annual Certification Report – to be issued January 2016.</p>

Appendix B Letter of representation

To:
Paul King
Director
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Chichester District Council - Audit for the year ended 31 March 2015

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Chichester District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2015:

A. Financial Statements and Financial Records

I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).

I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. I have approved the financial statements.

I confirm that as the Responsible Officer I have:

- ▶ reviewed the accounts;
- ▶ reviewed all relevant written assurances relating to the accounts; and
- ▶ made other enquiries as appropriate.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

B. Fraud

I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

C. Compliance with Laws and Regulations

I have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

I have provided you with:

- ▶ access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
- ▶ additional information that you have requested from us for the purpose of the audit; and
- ▶ unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on 29 September 2015.

I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that I have given to third parties.

F. Subsequent Events

Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.

In respect of accounting estimates recognised or disclosed in the financial statements:

- ▶ I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
- ▶ The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- ▶ The assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- ▶ No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Segmental reporting

I have reviewed the operating segments reported internally to the Board and I am satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:

- ▶ The nature of the products and services
- ▶ The nature of the production processes
- ▶ The type or class of customer for their products and services
- ▶ The methods used to distribute their products

I. Going Concern

I have made you aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Signed on behalf of Chichester District Council

I confirm that this letter has been discussed and agreed by the Corporate Governance & Audit Committee on 29 September 2015.

Signed:

Name: John Ward

Position: Head of Finance and Governance Services

Date: 29 September 2015

Letter of representation

Signed:

Name: Councillor P M Tull

Position: Chair of the Corporate Governance & Audit Committee

Date: 29 September 2015

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Local government audit committee briefing

Contents at a glance

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Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business.

This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

EY item club summer 2015 forecast

In its latest forecast, the EY Item Club highlights the continuing impact on the UK economy of world events, with those in Greece and China being of particular concern. Despite this, domestic demand remains buoyant and activity has increased since winter. They forecast GDP growth of 2.7% for this year and next, and inflation, as measured by CPI, well below target.

The latest data shows consumer expenditure remaining strong, and set to continue into next year, with the strong pound and weak commodity prices keeping inflation low. With manufacturing 'stuck in the slow lane', the economy is seen to be becoming increasingly unbalanced. The forecast goes on to predict that interest rates are unlikely to move above 3% until 2019.

Commenting on the Summer Budget, the Club sees the new surplus target as very challenging, meaning a significant increase in household taxes and a massive squeeze on welfare payments. It comments that, if the public sector is to move from heavy deficit into surplus, the private and overseas sectors must move in the opposite direction. As it sees households as being reluctant to move further into deficit, it will be up to companies to increase investment and exports to make the Budget strategy work. Alternatively, to swing the balance of payments and government accounts back into surplus, growth and imports will have to slow down.

National living wage

In the recent Budget the Chancellor announced that, from April 2016 workers aged over 25 will be entitled to a National Living Wage significantly higher than the current minimum wage of £6.50 which applies to those aged over 21. Those entitled to the 'living wage', will get £7.20 and that will rise to at least £9 an hour by 2020. This is expected to boost the income of approximately six million workers, covering all full and part-time workers, and those in public and private sectors. Whilst the government announced changes in corporation and employment taxes which it said would offset the additional costs to employers, the former will not apply in the public sector, and many comments have been made about the significant impact on employers from bodies such as the Local Government Association and the UK Homecare Association. The EY Item Club (in its Summer Forecast) commented that **"The Chancellor has effectively passed the prime responsibility for supporting low income working people over to employers and this poses a clear risk to hours and employment"**.



Government and economic news

All bodies will need to carefully consider the impact of the changes on their finances in the short and medium term. The impact is not liable to be limited to the additional employment costs of those employees currently on the minimum wage, but include:

- ▶ Employment costs relating to employees currently earning above minimum wage but below the National Living Wage
- ▶ Pressure on supplier contract prices arising from their increased costs (particularly in relatively low paid sectors such as care)

Whilst the increase is to be phased over a number of years, there will be a potential impact from 2015/16.

Creating a better care system

A new report by EY, commissioned by the Local Government Association, suggests the development of a new sustainable health and social care system, backed by establishment of a £1.3 billion a year transformation fund until 2019/20. It states that the fund should focus on keeping people independent and preventing complex and long-term conditions, and should be supported by:

- ▶ A pooled health and social care budget
- ▶ Devolved powers for health
- ▶ Reformed incentives

It outlines four key areas of focus as follows:

- ▶ **Put people in control** – including expanding integrated personal commissioning across health and care, increasing the number of personal health and care budgets by 250,000 in the next five years
- ▶ **Integrate and devolve commissioning powers** – including greater local control and freedom over pooled budgets to better respond to local needs and outcomes and allow local innovation
- ▶ **Fund services adequately and in an aligned way** – including aligning social care and health funding settlements over a five year period
- ▶ **Free the system from national constraints** – including replacing the tariff in the NHS with capitated accounting and payment mechanisms



Accounting, auditing and governance

The 2016/17 code of practice on local authority accounting in the United Kingdom: Invitation to Comment (ITC)

Each year CIPFA issue various Invitations to Comment (ITCs), setting out the proposed changes to the Code of Practice (the Code) for the following financial year and requests responses to the specific proposals. This year the ITC also requests comments on standards that are not expected to lead to changes within the Code until later years. The ITC this year has a closing date for responses of 9 October 2015.

The main changes proposed in the ITC are set out below:

Highways network asset

This proposal introduces the requirements for the measurement of this asset at Depreciated Replacement Cost (DRC) from 2016/17 onwards. In the ITC, CIPFA/LASAAC proposes, for the first time, that the separately identified items in the Transport Infrastructure Assets Code are classed as one asset for financial reporting purposes. It is proposed that Highways Network Asset is a separate class of asset and will be shown separately in the balance sheet.

This change is fully retrospective and will require:

- ▶ A third balance sheet as at 1 April 2014
- ▶ Fully restated comparatives for 2015/16

The ITC also confirms that an annual condition survey will be required.

As outlined in the June 2015 Audit Committee Briefing, this change will have major implications for highway authorities and non-highway authorities who have material transport infrastructure assets. We have already run a number of successful workshops for accountants and engineers at highway authorities during the summer to discuss how this fundamental change will impact on the accounts closedown and audit. As a result we will be running additional separate events for highway and non-highway authorities going forward.

Review of accounting and reporting by pension funds

This review coincides with the publication of Financial Reports of Pension Schemes: A Statement of Recommended Practice (2015). The ITC:

- ▶ Proposes minor changes to the Fund Account and to the Net Assets Statement to improve presentation and mirror the updated SORP
- ▶ Adapts the reporting requirements of IFRS 13 to include fair value disclosure requirements for pension fund investments in the 2016/17 Code
- ▶ Recognises that under IAS 26, three options as to how to disclose the actuarial present value of promised retirement benefits are allowed and seeks views on the option to use
- ▶ Sets out a new recommended disclosure for transaction costs

Narrow scope amendments

These are amendments to International Financial Reporting Standards (IFRS), largely around clarification of individual standards.



Accounting, auditing and governance

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (English Authorities)

The ITC updates the specific references within the Code to reflect these legislative changes. In addition it:

- ▶ Considers that a full interpretation of section 3.1 of the Code will fully meet the requirements to produce a Narrative Report
- ▶ Highlights the additional guidance provided to enable the requirement that the Narrative Report **“must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year”**

Telling the story: consultation on improving the presentation of local authority financial statements

The financial statements are a vital part of the accountability framework of local authorities. CIPFA/LASAAC considers it vital that the user can relate the information contained within the financial statements to the funding the local authority receives and the promises made about how money will be spent.

Over the past couple of years CIPFA/LASAAC has been developing an approach to both streamline the financial statements and improve accessibility to users. The two publications *Financial Statements; A Good Practice Guide for Local Authorities* and the updated *How to Tell the Story*, have both sought to remove clutter from the financial statements and focus on material items.

The next stage was seen to be how to adapt the IFRS based accounts to improve the accessibility of information for the lay user with the benefits and improvements in reporting that IFRS has brought being retained.

The Invitation to Comment (ITC) sets out the recommended proposals for change, seeking views on whether they are considered to be the preferable option. The key strands of the proposal are that:

- ▶ To allow local authorities to report on the same basis they are organised by rather than in an analysis set out by Service Reporting Code of Practice (SeRCOP)
- ▶ To introduce a new Funding Analysis as part of the narrative report which provides a direct reconciliation between the way local authorities are funded and budget and the CIES in a way that is accessible to the lay-reader

It is important to note that the Service Reporting Code of Practice (SeRCOP) analysis used for Government returns will continue. Thus the revised approach will not, at this stage, lead to a single financial reporting regime.

The ITC also seeks views on the timing of the proposed changes and the practical effect of introducing this change in financial reporting on authorities. The closing date for responses is 9 October 2015.



Accounting, auditing and governance

EY digital innovation programme

In the digital age organisations are expected to be innovative and tech savvy to support the way they deliver services. As well as making services more accessible, embracing digital offers cost saving potential, and enables organisations to be forward thinking, faster and fitter.

EY has launched a Digital Innovation Programme, a new awards initiative designed to recognise and celebrate digital innovation in health and social care. Its aim is to help share best practice, and recognise and celebrate the patients, carers and citizens who, through their innovative use of digital platforms, have made a positive difference to society.

It is linked to the EY Startup Challenge which is an intensive six-week innovation programme focused on accelerating technological solutions for tomorrow's business problems. Participants will receive:

- ▶ Mentoring and coaching
- ▶ Access to the EY firm and client network
- ▶ Training and support workshops
- ▶ An understanding of how to access funding

Nominations close in November 2015 and the programme culminates in a national recognition ceremony in June 2016. More details can be found at <http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme>.

Cap on public sector exit payments: consultation

The government announced in May that it intended to end six figure exit payments for public sector workers.

Exit payments help to unlock substantial reductions in staff costs in the medium to longer term and help authorities to meet the challenge of reduced funding available. However, given the scale of the costs associated with exit payments it is vital that they offer value for money to the taxpayer.

The government already has in place, for 2016, legislation to prevent highly paid individuals who return to the public sector within 12 months of exit from retaining their full exit payment.

Following on from this the government believes that it is right to ensure that public sector workers do not receive disproportionately large exit payments in the first instance. In particular the government is concerned about the number of public sector workers who are receiving exit payments of six figures. In 2013-14 alone, nearly 2,000 public sector employees received exit payments costing more than £100,000.

The government has proposed to introduce a cap of £95,000 on the total value of exit payments and HM Treasury launched a consultation on the proposed cap which ended in August 2015.

The current proposal has indicated that compensation payments in respect of death or injury attributable to the employment, serious ill health and ill health retirement will not be in the scope of the cap.



Regulation news

PSAA annual regulatory compliance and quality report

Public Sector Audit Appointments (PSAA) have released their Quality Review Programme annual reports for the 2014/15 audit season. There are individual reports on the seven principal audit firms and an overall summary report that compares all firms. The two main categories auditors are monitored for are audit quality and regulatory compliance.

PSAA have used a Red, Amber, Green (RAG) system throughout their reports. EY were one of two firms that received Green for the combined regulatory compliance and audit quality performance rating with the remaining five audit firms receiving an Amber rating.

For the second year in a row EY have received the highest Audit Quality score improving from 2.49 in 2014 to 2.55 in 2015 compared to a 2015 average of 2.19. Similarly for the financial statement audit work EY topped the table with a score of 2.36 compared to an average of 2.07.

As well as obtaining Green ratings for the two above categories, EY received a Green rating for Whole of Government Accounts work, VFM Conclusion work, Housing Benefit work, Regulatory Compliance, and Client Satisfaction.

The PSAA report on EY states:

“The firm is meeting our standards for overall audit quality and our regulatory compliance requirements. The firm has maintained its performance against the regulatory compliance indicators since last year, with all but one of the 2014-15 regulatory compliance indicators scored as green. The firm’s overall weighted audit quality score has increased from last year and the satisfaction survey results show that audited bodies are satisfied with the performance of EY as their auditor.”

Based on this review, PSAA state:

“We are satisfied that the risks of audit failure remain low; that all firms are meeting PSAA’s regulatory requirements; and that all firms are continuing to produce work to an acceptable standard.”

Auditors’ work on value for money arrangements

The Local Audit and Accountability Act 2014 provided the Comptroller and Auditor General with the power to issue guidance to auditors which may explain or supplement the provisions of the Code of Audit Practice. This was a role previously undertaken by the Audit Commission.



Regulation news

This guidance is issued in the form of Auditor Guidance Notes (AGNs) and the 2014 Act requires auditors to comply with this guidance.

The NAO is currently consulting on a draft AGN regarding auditors' work on value for money arrangements. The consultation closes 30 September 2015 in advance of the guidance being issued in November 2015. EY and other audit suppliers are currently coordinating their responses to the draft guidance which would apply to audits from 2015/16 onwards.

A short guide to the NAO's work on local authorities

The NAO is publishing a suite of short guides relating to each government department and some cross-government issues. Although the main purpose of these guides is to assist House of Commons Select Committees, the guide on local authorities provides a useful overview for elected members. It includes arrangements for funding, major recent developments, the pressures faced by local authorities, and developments that are on the horizon.

Care Act first-phase reforms: local experience of implementation

Under its powers in the Local Audit and Accountability Act 2014, the Comptroller and Auditor General has published a report concerning the Care Act.

The Care Act 2014 puts new legal responsibilities on local authorities in England and requires them to cooperate with local partners to meet them. The NAO have previously reported that only a fraction of care is publicly funded, with the majority of support and care being provided by unpaid family, friends and neighbours. Many adults pay for all or a proportion of their care. Despite this, adult social care continues to be one of the biggest areas of spending for many local authorities. For 2014/15, the NAO estimates that net spend on adult social care in 2014-15 for local authorities is £14.4 billion.

This further report follows the NAO's report on central government's approach to the Care Act First-phase reforms, and provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.



Key questions for the audit committee

What questions should the Audit Committee ask itself?

Has the authority considered the impact (both direct and indirect) on its finances of the National Living Wage?

Are there any patients, carers or citizens that we wish to nominate for the EY Digital Innovation Programme?

Are we aware of our responsibilities under the Care Act 2014, and have we considered what changes we may need to make in order to fulfil our responsibilities whilst maintaining affordability?



Find out more

EY item club summer 2015 forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

National living wage

Sources include:

BBC – <http://www.bbc.co.uk/news/uk-politics-33437115>

Local Government Association – http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/7386419/NEWS

UK Homecare Association – <http://www.ukhca.co.uk/downloads.aspx?ID=473>

Creating a better care system

Find out more details and a copy of the report at http://www.local.gov.uk/web/guest/publications-list/-/journal_content/56/10180/7350693/PUBLICATION

2016/17 code of practice ITC

For details about the CIPFA Invitation to Comment on the 2016/17 Code of Practice, see <http://www.cipfa.org/policy-and-guidance/consultations/201617-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment>

'Telling the Story' ITC

More information about CIPFA's consultation on 'Telling the Story' can be found at <http://www.cipfa.org/policy-and-guidance/consultations/telling-the-story-improving-the-presentation-of-local-authority-financial-statements>

EY digital innovation programme

Details of the programme and how to nominate can be found at <http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme>

Cap on public sector exit payments: consultation

The details of the Government's consultation on capping public sector exit payments can be found at <https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap/consultation-on-a-public-sector-exit-payment-cap>

PSAA annual regulatory compliance and quality report

The PSAA's Audit Quality webpage can be found at <http://www.psa.co.uk/audit-quality/>, the annual Regulatory Compliance and Quality Review Programme report is at <http://www.psa.co.uk/wp-content/uploads/2015/07/Annual-Regulatory-Compliance-and-Quality-Review-Programme-2015-Final.pdf>, and the report specific to EY is at <http://www.psa.co.uk/wp-content/uploads/2015/07/EY-2014-15-Annual-Regulatory-Compliance-and-Quality-Report-Final.pdf>

Auditors' work on VfM arrangements

The consultation document is available at <http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>

A short guide to the NAO's work on local authorities

To access the interactive guide see <http://www.nao.org.uk/wp-content/uploads/2015/08/A-Short-Guide-to-the-NAOs-work-on-local-authorities2.pdf>

Care Act first-phase reform

The full report is available at <http://www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/>

About EY

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ey.com/uk

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 29 September 2015

Regulation of Investigatory Powers Act (RIPA) Policy

1. Contacts

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2. Recommendation

- 2.1 That the policy attached to this report be noted and recommended to Cabinet to adopt.**
- 2.2 That the delegations in Appendix 1 of the Policy be noted and recommended to Cabinet to adopt.**
- 2.3 That the monitoring officer should report on the use of surveillance, RIPA training for staff and on surveillance procedural changes to this committee annually in autumn.**

3. Background

- 3.1 The Council is an enforcement body and is required to adopt and maintain up to date procedures for relevant statutes. RIPA provides the legal framework for covert surveillance by the Council.
- 3.2 A significant legal change took place with the **Protection of Freedoms Act 2012**. This introduced many issues which were not reflected in this Council's policies in particular the new requirement that any directed surveillance has to be the subject of a Court hearing, and that covert surveillance is now only available for matters which carry a maximum sentence of six months imprisonment or more.
- 3.3 Earlier this year Her Majesties Commissioner for Surveillance sent an inspector to consider local practices and policies. These inspections take place at each body having statutory powers of surveillance.
- 3.4 The purpose of the interview and its report is to ensure best practices are followed by the authority and to make recommendations for improvement on a confidential and constructive criticism basis.
- 3.5 A report was issued and submitted to the Council's Chief Executive. The Strategic management team instructed the legal department to take forwards suggestions made by the Inspector in the area of ensuring the Council's RIPA policy is up to date.
- 3.6 The Council was guided by the Inspector to make various updates to the local policy and practices. He recommended that the policy of Fareham Borough

Council would be a good starting point for this Council's policy. Colleagues at Fareham kindly assisted this process by providing their policy in a format which could then be adapted by this authority.

- 3.7 In addition to minor changes to reflect local structure and job title amendments, legal team have also updated the template policy to include a new Home Office Covert Surveillance and Property Interference Code of Practice (December 2014), and the Office of Surveillance Commissioners Procedures and Guidance (also December 2014) so that the policy attached to this report is as up to date as is possible.

4. Outcomes to be achieved

- 4.1 The adoption of this policy will ensure that a framework for all surveillance activities is clear and up to date and within all relevant best practice guidance.
- 4.2 The policy will also comply with the requirements of the Protection of Freedoms Act 2012.
- 4.3 Officers will have a resource to give guidance setting out how to proceed in any particular investigation scenario and to ensure that practices will be consistent between departments. This is particularly important since surveillance is carried out extremely rarely so staff will need to have practical clear guidance to support them in carrying out complex responsibilities in this area.
- 4.4 By using the guidance, the highest standards of operational practice for enforcement practices can therefore be followed, maintaining a high quality evidential basis of prosecutions or other enforcement action and reducing the chance of reputational damage for enforcement failings.
- 4.5 A clear statement of local practices and procedures, and the understanding it gives of our enforcement being to the highest standards will reassure the public of the performance of this authority.
- 4.6 Delegations under the new policy will be in accordance with recommendations of best practice in the Office of Surveillance Commissioners 2014 guidance and ensure that a clearer chain of reporting exists for surveillance decision making.

5. Proposal

- 5.1 That the Council adopts the policy and procedures for use by all enforcement staff in the authority.
- 5.2 If this Committee approves the RIPA Policy and Procedure including relevant delegations then it would proceed to the next Cabinet meeting to be adopted formally and those delegations added to the Constitution.

6. Alternatives that have been considered

- 6.1 If the Council does not use suitable policies and procedures then any evidence gained might not be admissible. This would mean that prosecution is liable to failure. There are reputational risks which would arise in this position.

- 6.2 Other model policies were considered, but the version recommended by the Inspector for Surveillance was assessed by the Council legal team who confirmed the suitability of this policy.
- 6.3 Alternatively the Council could choose not to amend its policies but this would place it at risk of legal, financial and reputational risk where its current policies do not cover issues which are included in the new policy.

7. Resource and legal implications

- 7.1 The primary legal and financial risk follows that set out in paragraph 6.3 above, being the likely risk of evidence being inadmissible, practices being judicially reviewable and that operational activities are hampered by out of date practices which would be unacceptable to the Court. These issues may lead to costs orders against the Council as well as reducing its effectiveness as a prosecuting authority.

8. Consultation

- 8.1 The policy and procedure has been presented to the strategic management team who endorse the policy and procedure and in particular framed the new delegations to reflect the local strategic roles of the officers concerned.
- 8.2 The Inspector for Surveillance has been advised that the recommendation of her Inspector is being adopted through this report.
- 8.3 Legal section have discussed the policy with senior operational enforcement officers and carried out relevant updating training with benefit fraud team and environmental enforcement team.

9. Community impact and corporate risks

- 9.1 Surveillance enables the Council to carry out investigative work legally and in accordance with its statutory powers. It enables the Council to achieve its corporate objectives in situations where partnership working or discussion are not available or have been unsuccessful. Having unsuitable policies and procedures for RIPA would lead to the Council being unable to carry out key parts of its work.
- 9.2 As the Council already has policies in place and these are an updating of those policies it is not considered that this has any new direct implications under paragraph 10 (below).

10. Other Implications

Are there any implications for the following?		
	Yes	No
Crime & Disorder:		x
Climate Change:		x
Human Rights and Equality Impact:		x
Safeguarding:		x

Other (Please specify): eg Biodiversity		x
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11. Appendices

Appendix 1 – Recommended policy and procedure

12. Background Papers

12.1 None

THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

CORPORATE POLICY AND PROCEDURES

Version 63
September ~~July~~ 2015

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1. INTRODUCTION

1.1 Summary

The Regulation of Investigatory Powers Act 2000 ('RIPA') brought into force the regulation of covert investigation by a number of bodies, including local authorities. RIPA regulates a number of investigative procedures, the most of recent of which is the access to communications data. This document is intended to provide officers with guidance on the use of covert surveillance, including use of social networking and auction websites, Covert Human Intelligence Sources ('CHIS') and the obtaining and disclosure of communications data under RIPA.

It should be noted that these powers can only be used by officers of the council for the purpose of **preventing or detecting crime or of preventing disorder**.

Officers must take into account the Codes of Practice issued by the Home Office under RIPA. (RIPA and the Codes of Practice may be found at <http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/>)

The latest Code of Practice for Covert Surveillance also covers interference with property or with wireless telegraphy as governed by Part III of the Police Act 1997. It should be noted that Council officers are **not** permitted to undertake this type of activity.

1.2 Background

The Human Rights Act 1998 requires the Council, and organisations working on its behalf, pursuant to Article 8 of the European Convention, to respect the private and family life of citizens, their home and correspondence. The European Convention did not, however, make this an absolute right, but a qualified right. Accordingly, in certain circumstances, the Council may interfere in the citizens' rights mentioned above, if such interference is:

- (a) in accordance with the law
- (b) necessary (as defined in this document); and
- (c) proportionate (as defined in this document)

RIPA provides a statutory mechanism for authorising certain types of surveillance. It seeks to ensure that any interference with an individual's right under Article 8 of the European Convention is necessary and proportionate. In doing so, RIPA seeks to ensure both the public interest and the human rights of individuals are suitably balanced.

If the correct procedures are not followed, evidence may be disallowed by the courts, a complaint of maladministration could be made to the Ombudsman, and/or the Council could be ordered to pay compensation. It is essential, therefore, that all involved with RIPA comply with this document and any further corporate guidance that may be issued, from time to time.

Each officer of the Council with responsibilities for the conduct of investigations, shall, before carrying out any investigation involving RIPA, undertake appropriate training to ensure that investigations and operations that he/she carries out will be conducted lawfully.

A **Senior Responsible Officer** will be appointed for the Council to ensure the integrity of the process within the Council and its compliance with RIPA; to have oversight of reporting of errors to the relevant oversight commissioner; responsibility for engagement with the Office of Surveillance Commissioners (OSC) when they conduct their inspections and where necessary, oversight of the implementation of any post-inspection action plan. The Senior Responsible Officer will also ensure that Members regularly review the Council's use of RIPA.

1.3 Review

RIPA and this document are important for the effective and efficient operation of the Council's actions with regard to surveillance. This document will, therefore be kept under yearly review by the Senior Responsible Officer and the outcomes of this review will be presented to the Senior Management Team.

Authorising Officers must bring any suggestions for continuous improvement of this document to the attention of the Senior Responsible Officer at the earliest possible opportunity.

1.4 Scope

RIPA covers the authorisation of directed surveillance, the authorisation of CHIS sources and the authorisation of obtaining communications data. Communications data includes information relating to the use of a postal service or telecommunications system but does not include the contents of the communication itself, contents of e-mails or interaction with websites. However, covert targeted monitoring of an individual's activities on a website such as facebook or ebay falls under the definition of directed surveillance.

An authorisation under RIPA will provide lawful authority for the investigating officer to carry out surveillance.

In terms of monitoring e-mails and internet usage, it is important to recognise the interplay and overlaps with the Council's e-mail and internet policies and guidance, the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000 and the Data Protection Act 1998. RIPA forms should be used where **relevant** and they will only be relevant where the **criteria** listed on the forms are fully met.

2. GENERAL

2.1 Definition of Surveillance

'Surveillance' includes:

- (a) monitoring, observing or listening to persons, their movements, their conversations or their other activities or communication;
- (b) recording anything monitored, observed or listened to in the course of surveillance; and
- (c) surveillance by or with the assistance of a surveillance device.

Surveillance also includes the interception of postal and telephone communications where the sender or recipient consents to the reading of or listening to or recording of the communication. This is a form of directed surveillance.

2.2 Confidential Material

Particular care should be taken in cases where the subject of the investigation or operation might reasonably expect a high degree of privacy, or where confidential information is involved. Confidential information consists of matters subject to legal privilege, confidential personal information, confidential journalistic material and communications between an MP and a constituent.

Applications in which the surveillance is likely to result in the acquisition of confidential material will only be considered in exceptional and compelling circumstances with full regard to the proportionality issues this raises.

The Authorising Officer shall give the fullest consideration to any cases where the subject of the surveillance might reasonably expect a high degree of privacy, for instance in his or her home.

Where a likely consequence of surveillance would result in the acquisition of confidential material, the investigating officer must seek authority from the Chief Executive, or, in her absence, another statutory officer.

The use or conduct of a covert human intelligence source to obtain matters subject to legal privilege must be subject to prior **approval by the Surveillance Commissioner**.

3. DIRECTED AND INTRUSIVE SURVEILLANCE

3.1 Directed Surveillance

Directed surveillance is surveillance which is covert, but not intrusive, and undertaken:

- (a) for the purposes of a specific investigation or specific operation;
- (b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation); and
- (c) otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under RIPA to be sought for the carrying out of the surveillance.

3.2 Intrusive Surveillance

That surveillance becomes intrusive if the surveillance:

- (a) is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle; or
- (b) is carried out without that device being present on the premises or in the vehicle, but is such that it consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle, or
- (c) is carried out in places ordinarily used for legal consultation, at a time when they are being used for such consultations

Therefore directed surveillance turns into intrusive surveillance if it is carried out involving anything that occurs on residential premises or any private vehicle and involves the presence of someone on the premises or in the vehicle or is carried out by means of a surveillance device OR when directed surveillance is carried out in places ordinarily used for legal consultation, at a time when they are being used for such consultations.

For intrusive surveillance relating to residential premises or private vehicles, if any device used is not on the premises or in the vehicle, it is only intrusive surveillance if it consistently produces information of the same quality as if it were.

Where surveillance is carried out by a device designed or adapted principally for the purpose of providing information about the location of a vehicle, the activity is directed surveillance.

Commercial premises and vehicles are therefore excluded from intrusive surveillance.

Currently, local authorities are not authorised to carry out intrusive surveillance.

4. IDENTIFYING DIRECTED SURVEILLANCE

Ask yourself the following questions, or follow the flowchart attached as [Appendix 2](#):

4.1 Is the surveillance covert?

Covert surveillance is any surveillance that is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place.

If your activities are not hidden from the subjects of your investigation, you are not within the RIPA framework at all. In many cases, Officers will be behaving in the same way as a normal member of the public (e.g. in the case of most test purchases), and/or will be going about Council business openly (e.g. a market inspector walking through markets or visiting another residents home or business).

Similarly, surveillance will be overt if the subject has been told it will happen (e.g. where a noisemaker is warned (preferably in writing) that noise will be recorded if the noise continues, or where an entertainment licence is issued subject to conditions, and the licensee is told that officers may visit without notice or identifying themselves to the owner/proprietor to check that conditions are being met.

It should be noted that if the same outcome can be achieved by overt means then those means need to be fully explored in the first instance. Covert surveillance must only be undertaken when there is no less invasive way of achieving the outcome.

4.2 Is the surveillance for the purposes of a specific investigation or a specific operation?

Although, the provisions of the Act do not normally cover the use of overt CCTV surveillance systems or Automated Number Plate Recognition (ANPR) in car parks, since members of the public are aware that such systems are in use, there may be occasions when public authorities use overt CCTV systems and/or ANPR for the purposes of a specific investigation or operation. For example, if the CCTV cameras

are targeting a particular known offender. In such cases, authorisation for directed surveillance may be necessary.

4.3 Is the surveillance in such a manner that is likely to result in the obtaining of private information about a person?

Private information includes any information relating to a person's private or family life. The concept of private information should be broadly interpreted to include an individual's private or personal relationship with others. It includes an individual's business and family relationships. Family life itself should be treated as extending beyond the formal relationships created by marriage.

4.4 Is the surveillance otherwise than by way of an immediate response to events or circumstances where it is not reasonably practicable to get authorisation?

Directed surveillance does not include covert surveillance carried out by way of an immediate response to events or circumstances which, by their very nature, could not have been foreseen. For example, a police officer would not require an authorisation to conceal himself and observe a suspicious person that he came across in the course of a patrol.

However, if as a result of that immediate response, you undertake a specific investigation you will need authorisation.

5. INTERNET SITE MONITORING

Investigations using social networking sites on the internet such as Facebook, Netlog, Bebo and Myspace, or other open source sites such as Ebay, will fall into the definition of directed covert surveillance if:

- (a) The site is not being accessed by the Councils "corporate" registration but by using an individual account aimed at hiding the identity or presence of the investigator.
- (b) The site is being used to regularly monitor and record a person's activities, contents of postings or relationships.
- (c) The monitoring is likely to identify private information about the person and/or third parties.

If this is the case then a directed surveillance RIPA authorisation must be obtained which assesses the level of intrusion on the subject and the third parties they are interacting with, balanced against the seriousness of the investigation and potential benefit to the investigation of the activity being conducted.

If the nature of the activity involves establishing or maintaining any form of relationship with the subject, their colleagues or friends with a view to obtaining information, then this activity by a Council employee or someone acting on their behalf, requires authorisation to use a covert human intelligence source.

Use of a false identity for covert purposes is permissible if a RIPA authorisation is given. However, Council employees or someone acting on their behalf must not adopt the identity of a person known, or likely to be known, to the subject of interest or users of the site without a) RIPA authorisation, b) the explicit consent of the person whose identity is to be used and c) giving consideration to the protection of the person whose identity is to be used. Again, use of overt access – telling

someone that the Council is intending to access their social media site – is to be preferred over covert surveillance. It would be expected that in most cases a general approval to access social media sites will be sought from groups where this activity is considered likely (for example benefit claim forms will refer to this practice).

6. COVERT HUMAN INTELLIGENCE SOURCES (CHIS)

6.1 Definition

A person is a source if:

- (a) they establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);
- (b) they covertly use such a relationship to obtain information or to provide access to any information to another person; or
- (c) they covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A source may include those referred to as agents, informants and officers working undercover.

A purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if, the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.

A relationship is used covertly, and information obtained is disclosed covertly, if and only if it is used or disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

The use of a source involves inducing, asking or assisting a person to engage in the conduct of a source, or to obtain information by means of the conduct of such a source.

This covers the use of professional witnesses to obtain information and evidence. For example, it will include professional witnesses retained by Housing to pose as tenants to obtain information and evidence against alleged nuisance perpetrators.

The use or conduct of a source to obtain knowledge of matters subject to legal privilege must be subject to the **prior approval of the Surveillance Commissioner**.

Carrying out test purchases will not require the purchaser to establish a relationship with the supplier with the covert purpose of obtaining information and, therefore, the purchaser will not normally be a CHIS. For example, authorisation would not normally be required for test purchases carried out in the ordinary course of business (e.g. walking into a shop and purchasing a product over the counter). By contrast, developing a relationship with a person in the shop, to obtain information about the seller's suppliers of an illegal product will require authorisation as a CHIS. Similarly, using mobile hidden recording devices or CCTV cameras to record what is going on in the shop will require authorisation as directed surveillance.

The Code of Practice states that the provisions of RIPA are not intended to apply in circumstances where members of the public volunteer information to the police or other authorities, as part of their normal civic duties, or to contact numbers set up to receive information (such as Crimestoppers, Customs Confidential, the Anti Terrorist

Hotline, or the Security Service Public Telephone Number). Members of the public acting in this way would not generally be regarded as sources.

However, a member of the public may in reality be a CHIS if they provide information covertly obtained in the course of, or as a result of, a personal or other relationship. If this information is acted on, a duty of care would be owed if they were at risk of reprisals. The consideration is the manner in which the information has been obtained (i.e. as a result of a relationship established or maintained for a covert purpose), not whether the informant has been tasked to obtain information for the Council.

An authorisation under RIPA will provide lawful authority for the use of a source.

6.2 Security and Welfare

Only the Chief Executive Officer or, in her absence, another Statutory Officer is able to authorise the use of vulnerable individuals and juvenile sources.

The Authorising Officer shall have regard to the special safeguards and provisions that apply to vulnerable individuals and juvenile sources, more particularly set out in the latest Home Office Covert Human Intelligence Source Code of Practice.

The Authorising Officer shall ensure that arrangements are in place for the proper oversight and management of sources, including appointing the following individual officers for each source:

A "**Handler**" who will have day-to-day responsibility for:

- dealing with the CHIS on behalf of the Council;
- directing the day to day activities of the CHIS;
- recording the information supplied by the CHIS; and
- monitoring the CHIS's security and welfare.

The Handler will usually be of a rank or position below that of the Authorising Officer.

A "**Controller**" who will be responsible for the management and supervision of the "handler" and general oversight of the use of the CHIS.

Officers using a source shall consider the safety and welfare of that source (even after cancellation of the authorisation), and the foreseeable consequences to others of the tasks they are asked to carry out. The Authorising Officer shall carry out a risk assessment before authorising the source.

7. COMMUNICATIONS DATA

7.1 Definition

This covers any conduct in relation to a postal service or telecommunications system for obtaining communications data and the disclosure to any person of such data. For these purposes, communications data includes information relating to the use of a postal service or telecommunications system but does not include the contents of the communication itself, content of emails or interaction with websites.

Communications data includes subscribers details, names and addresses and telephone numbers of those contacted, billing addresses, account information, web addresses visited etc. Two types of data (Customer Data or Service Data) are available to local authorities and, when making an application for obtaining or disclosing such data, the applicant must specify exactly which type of information is required from within each of the subscriber data and service use data sources.

(a) Part C - Customer data – (Subscriber data, RIPA s21(4)(c))

Customer data is the most basic. It is data about users of communication services.

This data includes:

- Name of subscriber
- Addresses for billing, delivery, installation
- Contact telephone number(s)
- Abstract personal records provided by the subscriber (e.g. demographic information)
- Subscribers' account information – bill payment arrangements, including bank, credit/debit card details
- Other services the customer subscribes to.

(b) Part B - Service data – (Service Use data, RIPA s21(4)(b))

This relates to the use of the service provider's services by the customer, and includes:

- The periods during which the customer used the service(s)
- Information about the provision and use of forwarding and re-direction services by postal and telecommunications service providers
- 'Activity', including itemised records of telephone calls (numbers called), internet connections, dates and times/duration of calls, text messages sent
- Information about the connection, disconnection and reconnection of services
- Information about the provision of conference calling, call messaging, call waiting and call barring telecommunications services
- Records of postal items, such as records of registered, recorded or special delivery postal items, records of parcel consignment, delivery and collection
- 'Top-up' details for prepay mobile phones – credit/debit card, voucher/e-top up details

A third type of data (part A - traffic data) defined in RIPA s21 (6) is not accessible to local authorities. This is data that is or has been comprised in or attached to a communication for the purpose of transmitting the communication.

8. AUTHORISATION PROCEDURE

8.1 General

Authorisation is required for the use of directed surveillance, for the conduct and use of sources and for the conduct in relation to a postal service or telecommunication system and the disclosure to any person of such data, hereto referred to as the “RIPA powers”.

Any officer who undertakes investigations (applicant) on behalf of the Council shall seek provisional authorisation in writing from an Authorising Officer in relation to any directed surveillance or for the conduct and use of any CHIS.

The Council’s list of current officers who would undertake investigations and as such would be considered the case investigating officers are listed in [Appendix 1](#). It would be these officers who would attend the magistrate’s court for the purpose of presenting RIPA cases to Justices of the Peace (JP) as it will be these officers who are best placed to answer any questions or clarify any points the JPs have on the application. However, the Authorising Officer’s considerations should always be clearly and fully recorded on the application form, and in usual and complex cases consideration should be given to the Authorising Officer attending the court as well.

Each provisional authorisation then needs to receive judicial approval before being acted upon.

Any officer wishing to engage in conduct in relation to a postal service and telecommunication system for obtaining communications data and the disclosure to any person of such data must also seek authorisation, the procedure and procedure of which differs slightly and is outlined in paragraph 8.6.

Authorising Officers will ensure that staff who report to them follow this guidance document and do not undertake or carry out any form of surveillance without first obtaining the relevant authorisations in compliance with this document.

The authorising officer should also ensure that they clearly set out what activity and equipment has been authorised in order that those conducting the surveillance are clear on what has been sanctioned (as per the R v Sutherland ruling).

8.2 Who can give Provisional Authorisations?

By law, the ‘Authorising Officer’ for local authority purposes is required to be a senior officer – at Chichester District Council these are given individual, express authority (see below). An Authorising Officer may grant a provisional authorisation but it does not take effect until it receives judicial approval (See paragraph 8.5). Please note that certain provisional authorisations, namely those relating to confidential information, vulnerable individuals and juvenile sources, can only be granted by the Chief Executive Officer, or, in her genuine absence, another statutory officer.

The Council’s Authorising Officer posts are listed in [Appendix 1](#). This appendix will be kept up to date by the Senior Responsible Officer as needs require. The Senior Responsible Officer has the delegated authority to add, delete or substitute posts.

It will be the responsibility of Authorising Officers who have been duly certified to ensure their relevant members of staff are also suitably trained as ‘applicants’ so as to avoid common mistakes appearing on forms for RIPA authorisations.

Training will be given, or approved by the Senior Responsible Officer, before Authorising Officers are certified to sign any RIPA forms. The Human Resources

department shall monitor training and keep a record to ensure that skills of authorising officers is maintained at the required level.

8.3 Grounds for Authorisation – the ‘necessary & proportionate’ test

An Authorising Officer has a number of obligations within the provisions of the Act, which must be met before using any of the RIPA powers.

An Authorising Officer shall not grant a provisional authorisation for the use of the RIPA powers unless he believes:

- (a) that a provisional authorisation is necessary and
- (b) the provisionally authorised investigation is proportionate to what is sought to be achieved by carrying it out

For local authority investigations, provisional authorisation for surveillance and CHIS is deemed “**necessary**” in the circumstances of the particular case if it is for the purpose of the **prevention or detection of crime(s) punishable by 6 months imprisonment or more**, or relates to the sale of alcohol or tobacco to underage persons, and if that objective could not be achieved without the information sought.

Conduct is not deemed “**proportionate**” if the pursuance of the legitimate aim listed above will not justify the interference if the means used to achieve the aim are excessive in the circumstances. Any conduct must meet the objective in question and must not be arbitrary or unfair nor must the impact on any individuals or group be too severe.

The conduct must also be the least invasive method of achieving the end and the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation must be assessed and taken into account (see Collateral Intrusion below).

Consideration must be given to the seriousness of the offence under consideration and whether it could be punishable on summary conviction or on indictment, by a maximum term of at least six months imprisonment (surveillance and CHIS authorisations).

Careful consideration needs to be made by authorising officers of all of these points using the list below:

- (a) is the size and scope of the operation balanced by the gravity and extent of the perceived crime or offence?
- (b) is it clear how and why the methods to be adopted will cause the least possible intrusion on the subject and others?
- (c) is the activity an appropriate use of the legislation and the only reasonable way, having considered all alternatives, of obtaining the necessary result?
- (d) has evidence been provided of other methods considered and why they were not implemented?

Such consideration needs to be demonstrated on the authorisation form in the relevant parts. Authorising Officers must exercise their minds every time they are asked to sign a form. They must never sign or rubber stamp the form without thinking about their personal and the Council’s responsibilities. Any boxes not needed on the form/s must be clearly marked as being ‘not applicable’ or a line put through the same. Great care must also be taken to ensure accurate information is used and

inserted in the correct boxes. Reasons for any refusal of an application must also be kept on the form and retained for future audits.

So far as possible, Authorising Officers should not be responsible for authorising investigations or operations in which they are directly involved.

8.4 Collateral Intrusion

Before provisionally authorising investigative procedures, the Authorising Officer shall also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (collateral intrusion). The investigating officer shall take measures, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation.

An application for a provisional authorisation shall include an assessment of the risk of any collateral intrusion. The Authorising Officer shall take this into account, when considering the proportionality of the use of the RIPA powers.

Where an operation unexpectedly interferes with the privacy of individuals who were not the subject of the investigation or covered by the authorisation in some other way, the investigating officer should inform the Authorising Officer.

8.5 Judicial Approval of Provisional Authorisations and Renewals

The judicial approval mechanism is in addition to the existing authorisation process under the relevant parts of RIPA as outlined in the Codes of Practice. The current local authority process of assessing necessity and proportionality, completing the RIPA authorisation / application form and seeking approval from an authorising officer will remain the same.

The Council is only able to grant a “provisional” authorisation or renewal to make use of any of the RIPA powers. All provisional authorisations and renewals must be approved by the Magistrates Court before the use of the RIPA power in the investigation commences.

The Council must apply to the local Magistrates Court for judicial approval of an authorisation or a renewal of an authorisation. The Council does not need to give notice of the application to the person(s) subject to the application or their legal representatives. If the Magistrates Court refuse to approve the application, they may also make an order quashing the provisional authorisation.

An additional procedure note on ‘**How to apply to the Magistrate’s Court for RIPA Approval**’ has been produced which lays out the local arrangements in place and format of the court application. All applications to the Magistrate’s Court will need to be made through the legal department.

The local authority will provide the JP with a copy of the original RIPA provisional authorisation or notice and the supporting documents setting out the case. This forms the basis of the application to the JP and **should contain all the information that is relied upon**.

The local authority will provide the JP with a partially completed judicial application form containing a brief summary of the circumstances of the case. This is

supplementary to and does not replace the need to supply the provisionally authorised RIPA authorisation or renewal as well.

The Magistrates will consider the provisionally authorised application or renewal, and will need to satisfy themselves that:

- a) At the time of provisional authorisation, there were reasonable grounds for believing that the tests of necessity and proportionality were satisfied in relation to the authorisation, and that those grounds still exist;
- b) That the person who granted provisional authorisation was an appropriately designated person;
- c) The provisional grant or renewal of any authorisation or notice was not in breach of any restrictions imposed under RIPA; and
- d) Any other conditions provided for by an order made by the Secretary of State were satisfied.

The applicant in liaison with legal services is responsible for tabling the application IN WRITING for judicial approval in the Magistrates Court before the use of the RIPA powers commence. The order section of the application form will be completed by the JP and will be the official record of the JP's decision. The local authority will need to obtain judicial approval for all initial RIPA authorisations / applications and renewals and the local authority will need to retain a copy of the judicial application order form after it has been signed by the JP. There is no need for the JP to consider either cancellations or internal reviews.

The hearing is a 'legal proceeding' and therefore the local authority officers need to be formally designated to appear and present evidence or provide information as required by the JP. A solicitor or barrister appointed by the Legal Practice Manager will fulfil this role.

8.6 Special Procedure for Communications Data

The Data Retention and Investigatory Powers Act 2014 (DRIPA) removes the authority of accredited Council Officers to directly approach telecommunication service providers to obtain data under RIPA.

Applications for the obtaining and disclosure of communications data can now only be made through the National Anti-Fraud Network (NAFN) via their secure website (www.nafn.gov.uk). Reference should be made to the process map at [Appendix 3](#) for guidance as to the process to be followed.

It is the responsibility of Chichester District Council to obtain both provisional authorisation and judicial approval of an application before NAFN are requested to obtain the required communications data. However, NAFN will carry out the Single Point of Contact "SPoC" role which includes:

- (a) where appropriate, assessing whether access to the communications data is reasonably practical for the postal or telecommunications operator;
- (b) advising applicants and authorising officers on the practicalities of accessing different types of communications data from different postal or telecommunications operators;
- (c) providing safeguards for authentication;

- (d) assessing the cost and resource implications to both the authorisation and postal or telecommunications operator.

Applications to obtain communications data should be made on the interim form at [Appendix 4](#) and submitted in the first instance to the Authorising Officer for feedback. This summary should be used as a record for the Central Monitoring records.

The formal application should then be entered on the NAFN website where it will be provisionally reviewed by a NAFN SPOC before forwarding to an Authorising Officer set up on within the website. If satisfied that the proposed investigation is both necessary and proportionate, the Authorising Officer will complete the relevant parts of the application form. The relevant documents will then be retrieved from the NAFN application for presentation for judicial approval. If accepted the NAFN application will be updated with the approval information and the SPoC who will then liaise with the postal / telecommunications company. Any communications data obtained will be provided through the NAFN website.

Communications data, and all copies, extracts and summaries of it must be handled and stored securely. The requirements of the Data Protection Act 1998 and the principles of the Criminal Procedure and Investigations Act 1996 must be strictly followed.

8.7 Urgency

Urgent authorisation authorisations are no longer available in relation to the use of the RIPA powers. Advice on obtaining early Court hearings, or out of hours court hearings, can be given by the Legal department.

8.8 Standard Forms

All authorisations must be in writing.

The local authority will provide the JP with a partially completed judicial application form that will also contain a brief summary of the circumstances of the case. This is supplementary to and does not replace the need to supply the provisionally authorised RIPA authorisation or renewal as well.

Standard forms for seeking use of the RIPA powers are provided at [Appendix 4](#). The authorisation shall be sought using the standard forms as amended from time to time.

9. ACTIVITIES BY OTHER PUBLIC AUTHORITIES

The investigating officer shall make enquiries of other public authorities e.g. the police whether they are carrying out similar activities if he considers that there is such a possibility in order to ensure that there is no conflict between the activities of this Council and those other public authorities.

10. JOINT INVESTIGATIONS

When some other agency has been instructed on behalf of the Council to undertake any action under RIPA, this document and the forms in it must be used (as per normal procedure) and the agency advised or kept informed, as necessary, of the

various requirements. They must be made aware explicitly what they are authorised to do.

When some other agency (e.g. police, Customs & Excise, Inland Revenue etc):

- (a) wish to use the Council's resources (e.g. CCTV surveillance systems), that agency must use its own RIPA procedures and, before any officer agrees to allow the Council's resources to be used for the other agency's purposes, he must obtain the details and purpose of the surveillance and evidence of the RIPA authorisation and any required judicial approval for the purposes of protecting the Council and the use of its resources.
- (b) wish to use the Council's premises for their own RIPA action, the officer should, normally, co-operate with the same, unless there are security or other good operational or managerial reasons as to why the Council's premises should not be used for the agency's activities. In such cases, the Council's own RIPA forms should not be used as the Council is only assisting and not being involved in the RIPA activity of the external agency.

In terms of (a), if the police or other agency wish to use the Council's resources for general surveillance, as opposed to specific RIPA authorisations, an appropriate letter requesting the proposed use, remit, duration, details of who will be undertaking the general surveillance and the purpose of it must be obtained from the police or other agency before any Council resources are made available for the proposed use.

11. DURATION, RENEWALS AND CANCELLATION OF AUTHORISATIONS

11.1 Duration

Authorisations must be reviewed in the time stated and cancelled once no longer needed. Authorisations last for:

- (a) 12 months from the date of the judicial approval for the conduct or use of a source
- (b) three months less a day from the date of the last judicial approval for directed surveillance
- (c) one month from the date of judicial approval for communications data, or earlier if cancelled under Section 23(8) of the Act.

However, whether the surveillance is carried out/conducted or not in the relevant period, does not mean that the authorisation is spent. Authorisations should not be allowed to expire; they should be reviewed, or cancelled if no longer required.

11.2 Reviews

The Authorising Officer shall undertake regular reviews of authorisations to assess the need for the surveillance to continue. At a minimum these should be carried out monthly from the start date. The results of a review should be recorded on the central record of authorisations. Where the surveillance provides access to confidential information or involves collateral intrusion the officer should conduct frequent reviews.

Standard review forms for directed surveillance and CHIS are attached at [Appendix 4](#).

11.3 Renewals

Authorisations may be renewed more than once, if necessary, and the renewal should be kept/recorded as part of the central record of authorisations

Authorisations can be renewed in writing shortly before the maximum period has expired. An authorisation cannot be renewed after it has expired. The Authorising Officer must consider the matter afresh, including taking into account the benefits of the surveillance to date and any collateral intrusion that has occurred. The renewal will begin on the day when the authorisation would have expired provided the necessary judicial approval has been obtained.

A further requirement in relation to renewal of covert human intelligence sources, is that judicial approval will only be granted if the Magistrates are satisfied that a review has been carried out, which considers:

- the use made of the source in the period since authorisation was granted (or the last renewal); and
- the tasks given to the source during that period, and the information obtained from the conduct or use of the source;

and for the purposes of making an Order, the Magistrates have considered the results of that review.

The Authorising Officer who granted or last renewed the authorisation must cancel it if he is satisfied that the investigative procedure no longer meets the criteria upon which it was authorised.

Standard renewal forms for the authorisation of directed surveillance and CHIS are attached at [Appendix 4](#).

11.4 Cancellations

An Authorising Officer shall cancel a notice or authorisation as soon as it is no longer necessary, or the conduct is no longer proportionate to what is sought to be achieved. The duty to cancel a notice falls on the authorising officer who issued it.

In the case of a notice issued in respect of communications data, the relevant postal or telecommunications operator will be informed of the cancellation.

Standard cancellation forms for communications data, directed surveillance and CHIS are attached at [Appendix 4](#).

When completing the cancellation form care should be taken to record when the activity ceased, what value the surveillance had been to the investigation and what evidence “products” had been obtained.

12. RECORDS

The Council must keep a detailed record of all provisional and judicially approved authorisations, reviews, renewals, cancellations and rejections in departments and a

Central Register of all such forms will be maintained and contain the following information:

- (a) a central register reference number for each authorisation
- (b) a unique reference number for the authorisation (URN) - this is usually the investigation or operation case reference
- (c) the type of authorisation or notice
- (d) the date the provisional authorisation or notice was given;
- (e) name and rank/grade of the authorising officer;
- (f) whether the investigation or operation is likely to result in obtaining confidential information;
- (g) whether the provisional authorisation was granted by an individual directly involved in the investigation;
- (h) the date that judicial approval was received or refused;
- (i) if the authorisation or notice is renewed, when it was provisionally renewed and who authorised the renewal, including the name and rank/grade of the authorising officer, and the date that judicial approval was obtained;
- (j) the date the authorisation or notice was cancelled;
- (k) the outcomes of the use of the powers.

The title of the investigation or operation, including a brief description and names of subjects will only be recorded on the central register by way of a hyperlink to the application form. The content of the hyperlink is restricted and can only be accessed by those with the appropriate authority.

The record will be made available to the relevant Commissioner or an Inspector from the Office of Surveillance Commissioners (OSC) or Communications Commissioner's Office (IOCCO).

These records will be retained for a period of at least three years from the ending of the authorisation. A record will be kept of the dates on which the authorisation notice is started and cancelled.

12.1 Maintaining the Central Record of all Authorisations

The Legal Practice Manager, on behalf of the Senior Responsible Officer shall hold and monitor the centrally retrievable record of all provisional and judicially approved authorisations. This will be held in the legal secure filing system.

Applicants and Authorising Officers are responsible for filling out the Central register for each application whether approved or not within 1 week of the judicial approval review, cancellation or rejection. They should also ensure that a copy of all applications, magistrates approvals, reviews, renewals and cancellation forms are passed to the Legal Practice Manager to be placed into the Central Register.

Once an authorisation has been cancelled the applicant or authorising officer must update the Central Register for the outcome of the use of the RIPA powers in relation to their investigation.

12.2 Records maintained in the Department

The Authorising Officer shall maintain the following documentation, which need not form part of the centrally retrievable record:

- (a) the original signed application and a copy of the provisional authorisation or notice if applicable together with a copy of any order of judicial approval or

- refusal, as well as any supplementary documentation and notification given by the Authorising Officer;
- (b) a record of the period over which the surveillance has taken place;
 - (c) the frequency of reviews prescribed by the Authorising Officer;
 - (d) an original signed record of the result of each review of the authorisation or notice;
 - (e) the original signed renewal of an authorisation or notice, together with the supporting documentation submitted when the renewal was requested;
 - (f) the date and time when any instruction was given by the Authorising Officer.

Each form must have a URN and a Central Register number. The cross-referencing of each URN takes place within the form for audit purposes. Rejected forms will also have URNs.

12.3 Other Record of Covert Human Intelligence Sources

Proper records must be kept of the authorisation and use of a source. An Authorising Officer must not grant a provisional authorisation for the use or conduct of a source unless he believes that there are arrangements in place for ensuring that there is at all times a person with the responsibility for maintaining a record of the use made of the source.

The records shall contain the following information:

- (a) the identity of the source;
- (b) the identity, where known, used by the source;
- (c) any relevant investigating authority other than the Council;
- (d) the means by which the source is referred to within each relevant investigating authority;
- (e) any other significant information connected with the security and welfare of the source;
- (f) any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in paragraph (d) has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source;
- (g) the date when, and the circumstances in which, the source was recruited;
- (h) the identities of the persons who, in relation to the source;
 - i. hold day-to-day responsibility for dealing with the source and for the source's security and welfare
 - ii. have a general oversight of the use made of the source (not to be the person identified in (h) (i))
 - iii. have responsibility for maintaining a record of the use made of the source
- (i) the periods during which those persons have discharged those responsibilities;
- (j) the tasks given to the source and the demands made of him in relation to his activities as a source;
- (k) all contacts or communications between the source and a person acting on behalf of any relevant investigating authority;
- (l) the information obtained by the conduct or use of the source;
- (m) any dissemination of information obtained in that way; and

- (n) in the case of a source who is not an undercover operative, every payment, benefit or reward and every offer of a payment, benefit or reward that is made or provided by or on behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

12.4 Checks on the Integrity of the Process

The Legal Practice Manager will carry out a regular review of forms that are open for a long time or need a cancellation form completing, and will identify any links from forms to the Central Register that are missing.

The Senior Responsible Officer will carry out a periodic sample check of the quality of RIPA authorisations, renewals and cancellations that feed into the report prepared for the Audit and Governance Committee. The results of this review will be recorded on the Central Register and will be used to identify any guidance or individual or corporate training needed.

The Audit and Governance Committee will consider internal reports on the use of the 2000 Act to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose.

13. RETENTION AND DESTRUCTION

Material obtained from properly authorised surveillance or a source may be used in other investigations. Arrangements shall be in place for the handling, storage and destruction of material obtained through the use of covert surveillance, a source or the obtaining or disclosure of communications data. Authorising Officers must ensure compliance with the appropriate data protection requirements and any relevant Corporate Procedures relating to the handling and storage of material.

Where the product of surveillance could be relevant to pending or future proceedings, it should be retained in accordance with established disclosure requirements for a suitable period and subject to review.

14. CONSEQUENCES OF IGNORING RIPA

RIPA states that if authorisation confers entitlement to engage in a certain conduct and the conduct is in accordance with the authorisation, then **it shall be lawful for all purposes.**

Where there is interference with the right to respect for private and family life guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority, the consequence of not obtaining an authorisation under RIPA may be that the action is unlawful by virtue of section 6 of the Human Rights Act 1998.

Officers shall seek an authorisation where the directed surveillance, the use of a source or the obtaining or disclosure of communications data is likely to interfere with a person's Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse.

15. SCRUTINY OF INVESTIGATORY BODIES

The Office of Surveillance Commissioners (OSC) and Interception of Communications Commissioner's Office (IOCCO) have been established under RIPA to facilitate independent scrutiny of the use of RIPA powers by the investigatory bodies that are subject to it. The Commissioners will inspect Councils to ensure compliance with RIPA and can audit/review the Council's policies and procedures, and individual authorisations. Further detail can be found at www.surveillancecommissioners.gov.uk.

The Investigatory Powers Tribunal has been established under RIPA to deal with complaints from members of the public about the use or conduct by public authorities of these powers. The Tribunal is separate from the OSC. The Council expects its officers to co-operate fully with these bodies and to bring forward any proposals for improvement that may follow on from an inspection report or a Tribunal hearing.

**IF IN DOUBT ADVICE MUST BE SOUGHT FROM
THE SENIOR RESPONSIBLE OFFICER**

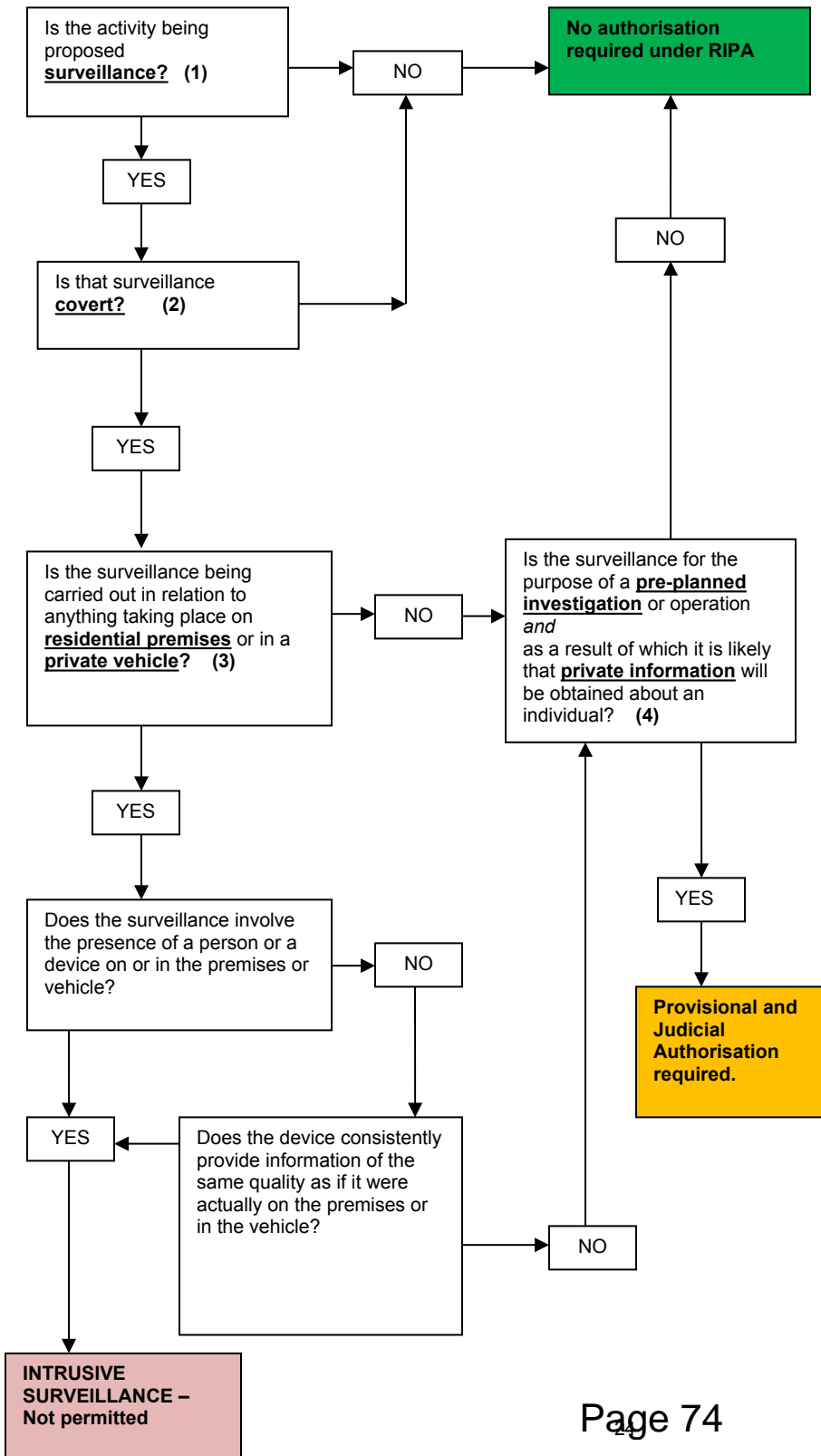
APPENDIX 1

Officer Appointments to Roles in the Policy

Last updated February 2015

Title	Appointed Officers	Role
Senior Responsible Officer	John Ward	<p>Ensure the integrity of the process within the Council and its compliance with RIPA, including carrying out a periodic sample check of the quality of RIPA authorisations, renewals and cancellations.</p> <p>Carry out an annual review of the corporate policy.</p> <p>Have oversight of the completion of annual returns to the relevant oversight commissioner.</p> <p>Engage with the oversight commissioners when they conduct their inspections and where necessary, oversee the implementation of any post-inspection action plan.</p> <p>Have oversight of reporting of errors to the relevant oversight commissioner</p> <p>Ensure that Members regularly review the Council's use of RIPA.</p>
Authorising Officer (Surveillance/ CHIS) Designated Person (Communications Data)	Diane Shepherd Steve Carvell Paul Over	<p>Review applications for considerations of: lawfulness, necessity, proportionality, collateral intrusion and approve or reject them.</p> <p>Act as applicant/handler as long as a different authorising officer approves the application.</p>
Higher level authoriser	Diane Shepherd	Approve applications involving confidential material (surveillance) or the use of vulnerable individuals and juvenile sources (CHIS)
Applicant (Surveillance, Communications Data) Handler (CHIS)	Ian Brightmore David Stewart Nicholas Bennett	<p>Complete application forms 1-4 (surveillance, CHIS)</p> <p>Complete NAFN Communications Data application</p> <p>Attend magistrates court to obtain judicial approval</p>

DIRECTED SURVEILLANCE FLOW CHART



(1) Surveillance includes: monitoring, observing, listening to persons, their movements, their conversations or their other activities or communications. It includes recording anything monitored, observed or listened to in the course of surveillance, and surveillance by or with the assistance of a surveillance device

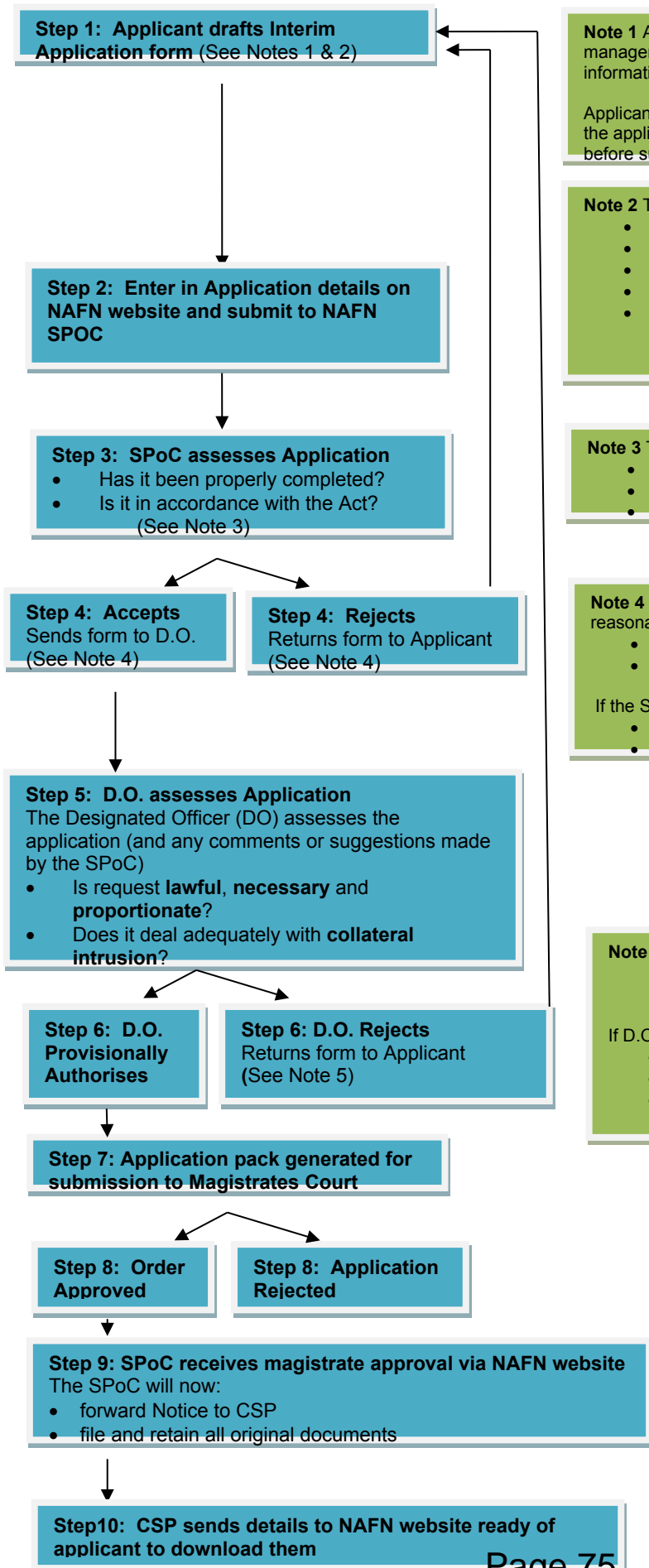
(2) Covert is defined as surveillance which is carried out in a manner calculated to ensure that the person(s) who are subject to it are unaware that it is or may be taking place

(3) Residential premises: occupied or used by a person, however temporarily, for residential purposes or otherwise as living accommodation including hotel rooms – but not communal areas – e.g. a hotel lounge.
Private vehicle: which is used primarily for the private purpose of the owner or a person having the right to use it – but not, e.g. a minicab.

(4) Pre-planned investigation: surveillance is not planned if it is conducted as an immediate response to events or circumstances the nature of which it would not be reasonably practicable for authority to be sought.
Private information: includes any information relating to a person's private or family life. This must be interpreted broadly to include an individual's relationship with others. It will include information about a person's associations, lifestyle, finances etc. It is immaterial whether the person about whom the information will be gathered is the subject of the investigation.

Note: Before provisionally authorising any directed surveillance investigation, the Authorising Officer (AO) must clearly indicate in the authorisation form itself that the AO does believe that the proposed investigation is both **necessary** for preventing or detecting crime or preventing disorder **and** that the investigation is **proportionate** to what it is sought to achieve. The AO must also show that any potential **collateral intrusion** has been taken into account and that reasonable steps are proposed to minimise such intrusion.

Flowchart of Application Process for Communications Data



Note 1 Applicant should discuss proposed application with line manager to try to find alternative options for obtaining the information required.

Applicant may also wish to discuss content, scope and aims of the application and type of application with the **NAFN** SPoC before submitting the application

Note 2 The application should include:

- The purpose for which the data is required
- The nature of the enquiry
- Details of the data required
- The timescale in which the data is needed
- A statement clearly setting out:
 - ❖ why request is **necessary**
 - ❖ why request is **proportionate**
 - ❖ steps to be taken to minimise **collateral intrusion**

Note 3 The SPoC will:

- ensure application is practical and lawful
- advice on most appropriate route
- assess cost and resource implications

Note 4 If the SPoC **accepts** that the application is justified and reasonably practicable, s/he:

- will submit the application to the DO for approval
- include any appropriate additional information/comments for consideration by DO

If the SPoC **rejects** the application, s/he will:

- return the application to the applicant
- specify in writing reason(s) for rejection

Note 5 If D.O. **authorises** the application, s/he will:

- Approve online
- document any discussions conducted in reaching the decision

If D.O. **rejects** the application, s/he will:

- return the application to the applicant
- specify in writing reason(s) for rejection
- save a copy of rejected application + reason(s) to the Council's Central Monitoring Records

KEY

Applicant: Officer making the application
D.O.: Designated Officer who provisionally authorises the Application
SPoC: Single Point of Contact between FBC and CSP
CSP: Communications Service Provider

RIPA Forms

The following links can be used to locate the template of the latest forms to use.

Directed Surveillance

- a. [Directed Surveillance Authorisation - RIPA 1](#)
- b. [Directed Surveillance Review - RIPA 2](#)
- c. [Directed Surveillance Renewal - RIPA 3](#)
- d. [Directed Surveillance Cancellation - RIPA 4](#)

Covert Human Intelligence (CHIS)

- a. [CHIS Application - CHIS 1](#)
- b. [CHIS Review - CHIS 2](#)
- c. [CHIS Renewal - CHIS 3](#)
- d. [CHIS Cancellation - CHIS 4](#)

Application for judicial approval to obtain or disclose communications data, to use covert human intelligence source or to conduct directed surveillance

[Judicial Approval Application Form](#)

[Accompanying Witness Statement](#)

Communications Data

[Template to prepare for application via NAFN](#)

Link to National Anti-Fraud Network site - <https://secure.nafn.gov.uk/>

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 29 September 2015

**Complaints/ Freedom of Information and Data Protection Analysis -
2014/15**

1. Contacts

Report Author

Fiona Delahunty – Customer Service Centre Manager

Telephone: 01243 534734

E-mail: fdelahunty@chichester.gov.uk

2. Recommendation

The Corporate Governance and Audit Committee is requested to consider the information provided in this report and to make any appropriate recommendations as to future monitoring arrangements to identify business improvement.

3. Background

3.1 The Corporate Governance and Audit Committee receive an annual analysis of all formal complaints and compliments, freedom of information requests and data subject access requests received by the authority, together with a summary of the Local Government Ombudsman's Annual Report.

3.2 This report is in response to the work plan of Overview and Scrutiny Committee which sought some detail as to the process for identifying trends and potential to address issues and/or amend practices to improve service delivery.

3.3 The Council's complaints procedure:

The complaints procedure has three stages:

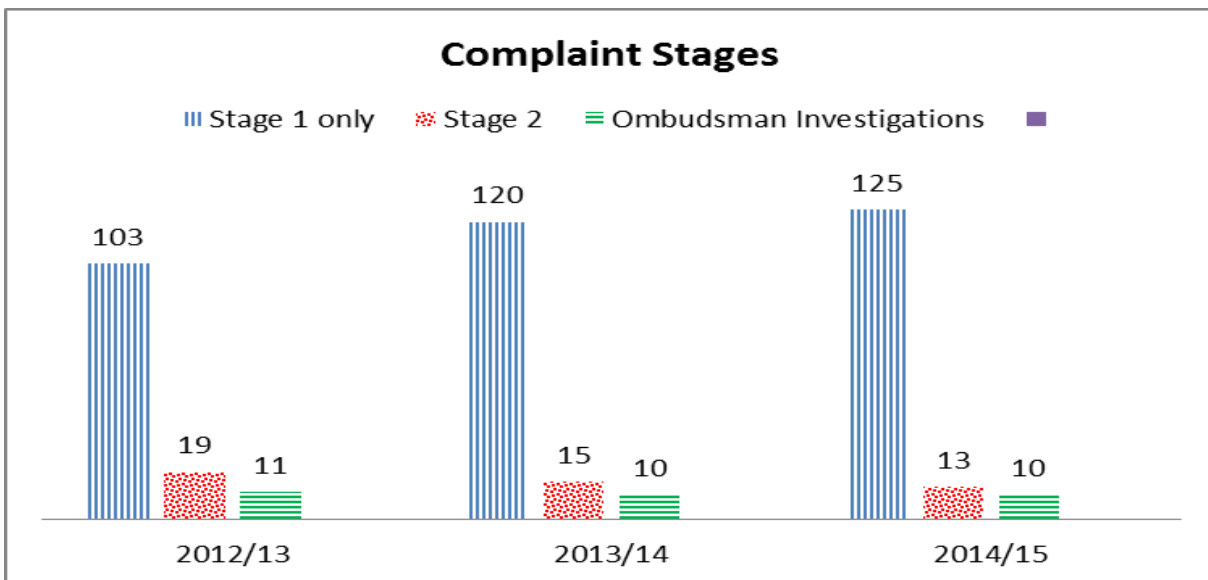
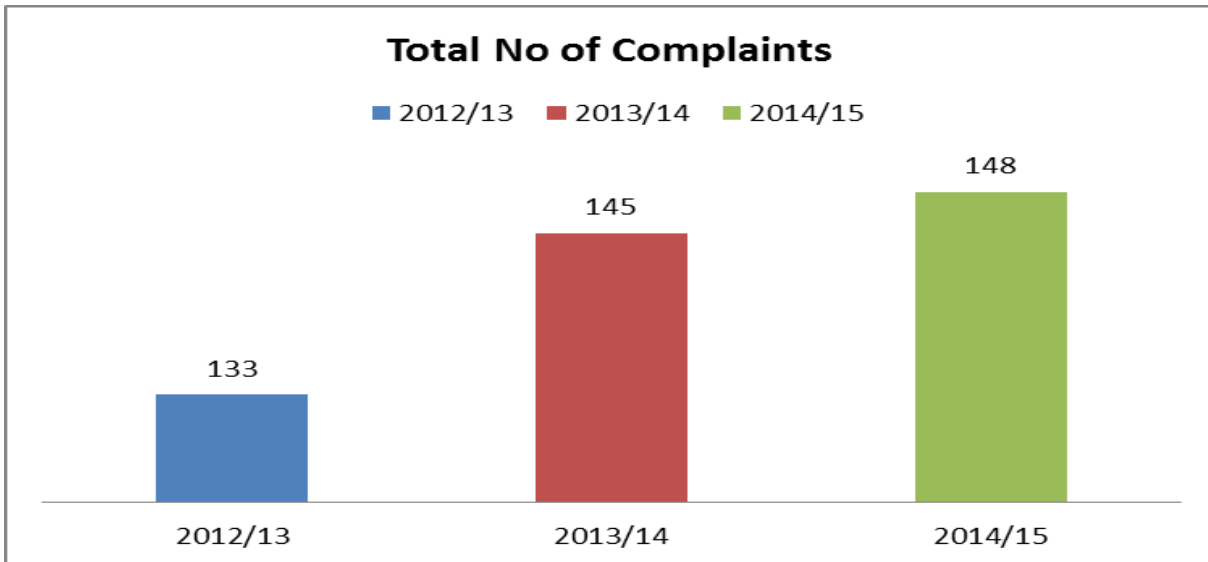
Stage 1 – Initial complaint investigated by the Manager responsible for the service team.

Stage 2 – If the customer is dissatisfied with the response to stage 1, the investigation is reviewed by the Head of Service for that team.

Stage 3 – If the customer is dissatisfied with response to stage 2, they are offered the opportunity to seek an independent investigation by the Local Government Ombudsman.

3.4 From April 2014 – March 2015 the Council received 148 complaints. 91% of those were responded to within the 10 day target date. This is an improvement of 4% on the previous year.

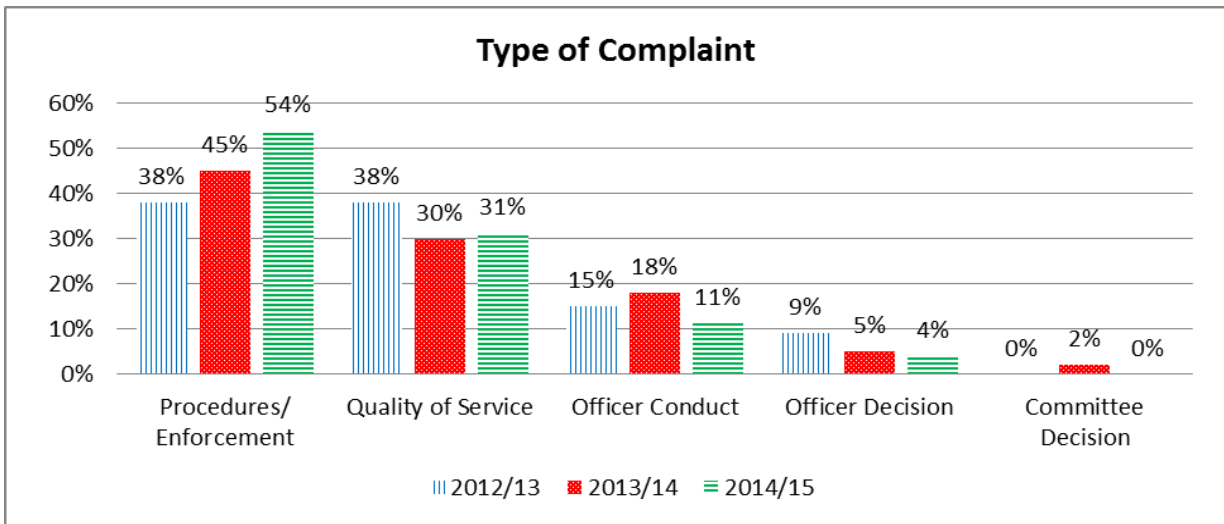
3.5 During the preceding three years, the following complaints have been received:



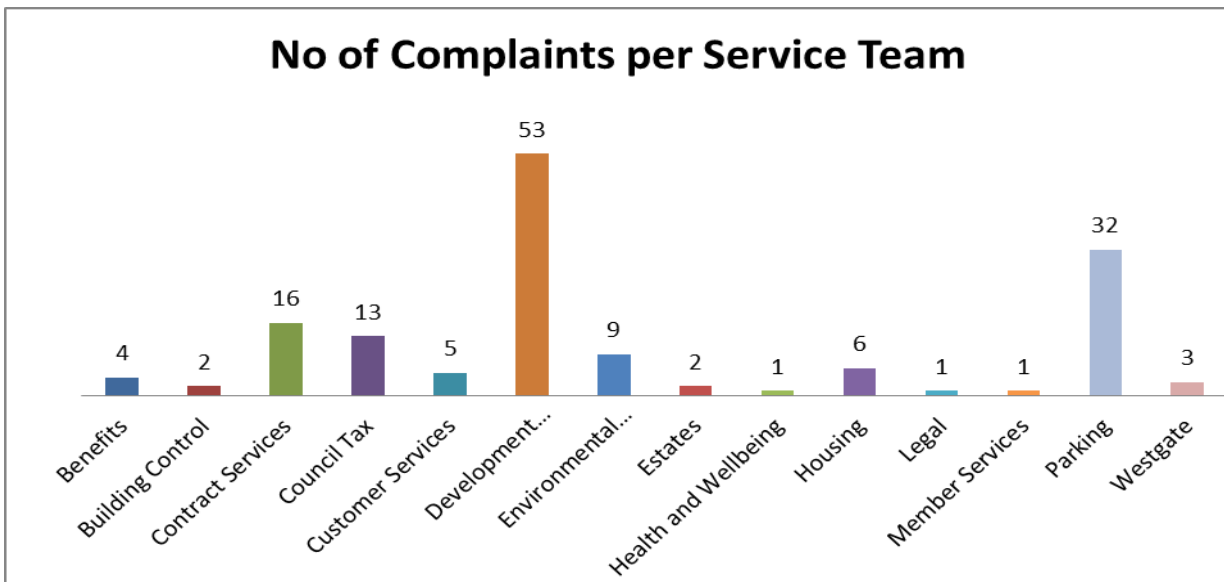
The Ombudsman upheld one complaint regarding the delayed response by the bailiff, regarding a statement of costs and a response to a conditional offer of payment.

The decision was there is fault by the Council because its bailiff visited the customer to collect council tax arrears when she had written to ask for details and offered to make payment. The Council agreed to pay £100.00 as recommended as a remedy by the Ombudsman. As a result of this complaint the Bailiffs have improved their procedures

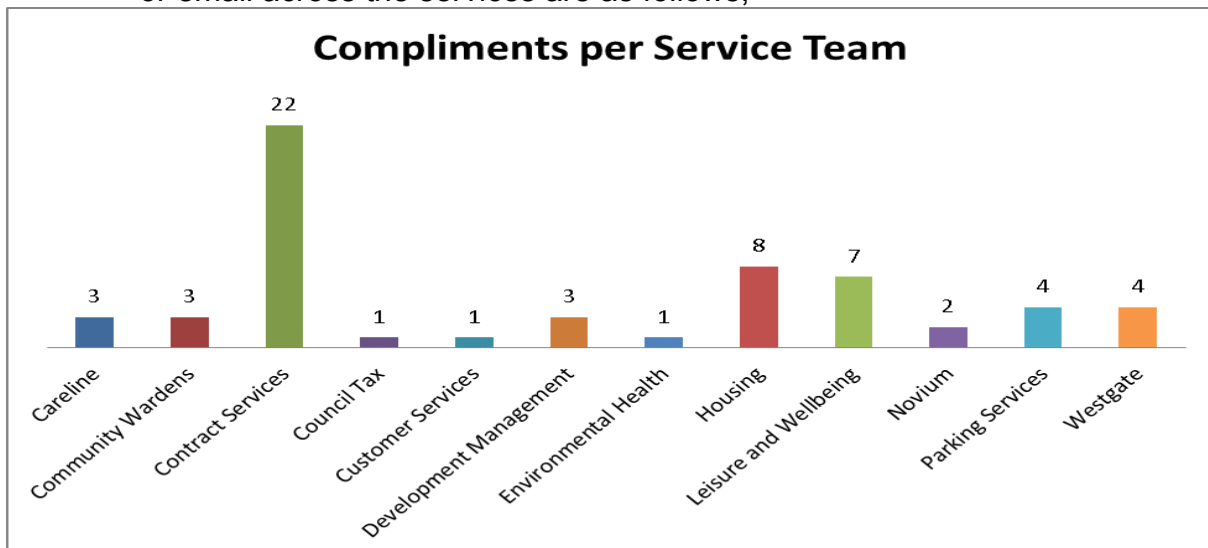
- 3.6 All complaints are recorded, categorised and monitored by Customer Services. During the preceding 3 years, the percentage of complaints have related to the following categories:



The percentage of Procedures/Enforcement and Quality of Service complaints have increased. However Officer Conduct and Decision complaints have reduced. The number of complaints received by service for 2014/15 is as follows;



3.7 Compliments are also recorded. The number of compliments received by letter or email across the services are as follows;



4.0 Learning Points

Each complaint can be an opportunity to make changes or service improvements., examples of some of the learning points and improvements made as a result of complaints during 2014/15 include:

- 4.1 The Customer Service Centre send an escalation request to the Service Team Manager and the Customer Services Manager if a customer has made a repeat request for a call back. This is to ensure a call back that working day.
- 4.2 Improved procedures introduced by the Bailiffs employed by the Council.

5.0 Outcomes to be achieved

- 5.1 The primary purpose of investigating complaints is to resolve customer dissatisfaction where possible. However, by recording and monitoring the nature of complaints, it is possible to identify trends or address issues to avoid future complaints and to improve service delivery and/or to contribute to a review of policy.
- 5.2 Each Head of Services has access to monthly reports containing the detail of all complaints received and their service areas performance in dealing with each complaint.
- 5.3 Not all customers wish to formalise their complaint but it is important for us as an organisation to understand areas where there is dissatisfaction and to try to rectify it. To this end, other channels of feedback and performance monitoring are made available with mechanisms in place to address issues:-

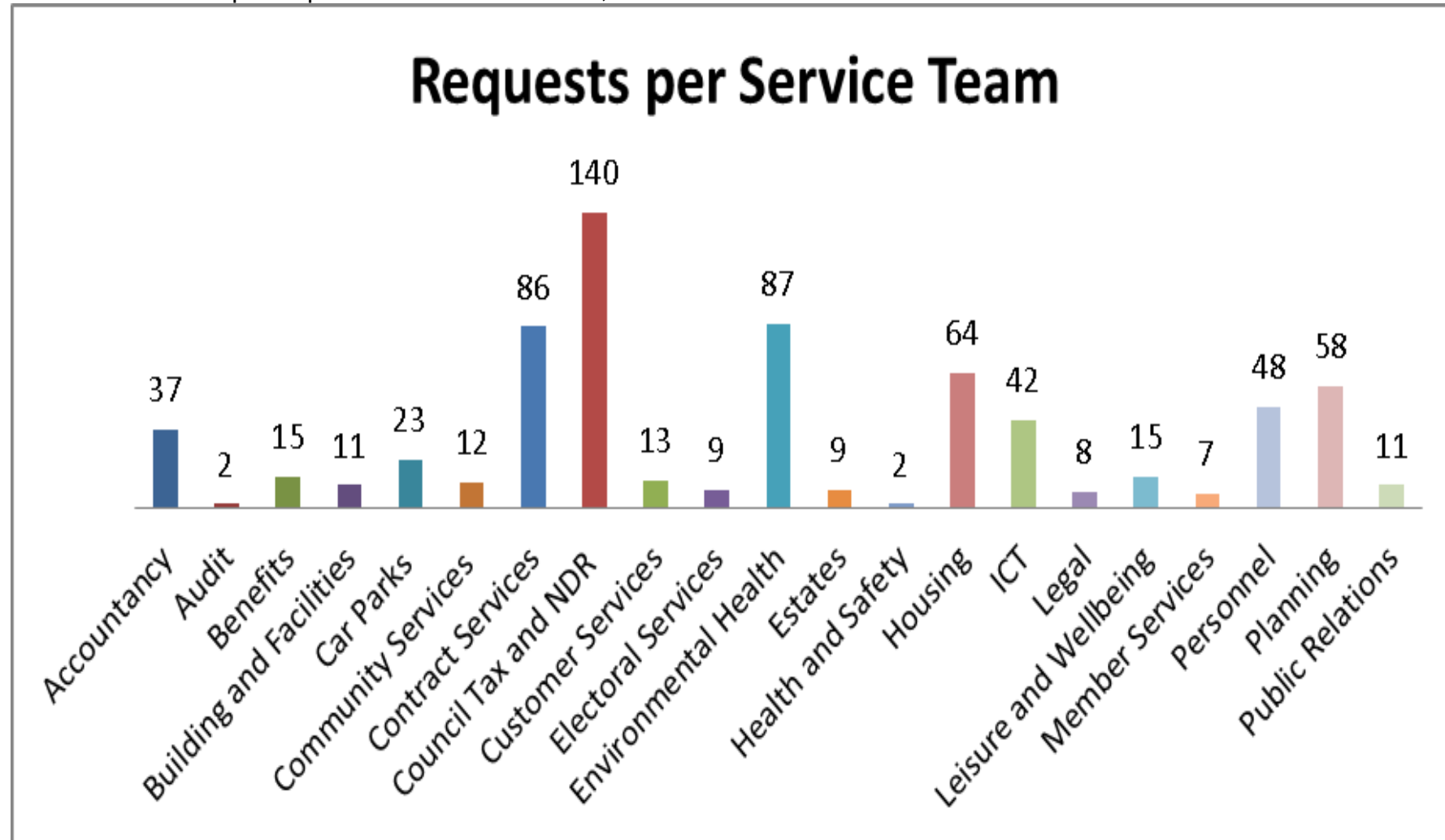
The website has a generic email account called CDC Complaints. Often customers will use this to report an issue. These are forwarded to the appropriate service area to contact the customer and deal with the request.

- 5.3.1 The website has the option to provide feedback on usability and usefulness on each page. This information is fed back to the service areas responsible for the appropriate page.
- 5.3.2 The Customer Service Centre undertakes monthly performance monitoring with customers contacting the Council by telephone and those visiting the Reception Service. This information is used to identify areas where service improvements may be made.
- 5.3.3 All telephone calls to the Customer Service Centre are recorded and monitored. These recordings are used to mentor and train staff with a view to improving quality of service.
- 5.3.4 The Council have a Facebook and Twitter account which is a quick and easy way for customers to make contact and provide feedback.

6.0 Freedom of Information Requests

- 6.1 The Freedom of Information (FOI) Act gives people the right to ask the Council for recorded information they have on any subject. If the request relates to environmental information, this will be handled under the Environmental Information Regulations (EIRs). We are required to reply within strict deadlines, giving the information requested, or explaining why we cannot provide that information.
- 6.2 The Customer Services team administer the FOI process.
- 6.3 From April 2014 – March 2015 793 requests for information were received, 94 of these were redirected to other agencies.
- 6.4 94% of the Requests were answered within the 20 working day deadline.
- 6.5 The number of requests received can take up a great deal of officer time in collating the responses. Many requests continue to be received from the press or from commercial organisations.. The legislation does not provide for the Council to recover costs for the officer time involved unless the estimated staff costs involved locating or compiling the information exceeds £450. Under these circumstances, we can refuse the request on grounds of cost, or charge the applicant £25 per hour for the estimated work.

The Number of Enquiries per service are as follows;



From the recorded information we have identified our most popular requests are as follows;
Public Health Funerals
Credit Balances on Non Domestic Rates
Information on Contracts held by the Authority
Car Parking Income.

7.0 Data Protection Requests

The Data Protection Act 1998 provides individuals with the right to access their personal information. The Council are required to provide any personal information held manually or electronically within 40 calendar days of the request being made. The Act also provides exemptions for statutory agencies to access personal information held by the authority, particularly in relation to crime or fraud. In the year 2014-15 the Council received 13 requests for information from external agencies and 8 requests from individuals requesting their personal data held by the authority.

8.0 Improvements to Procedures and Publications

- 8.1 Make publicly available our frequently asked requests on the transparency page on our website
- 8.2 Non Domestic Rate information will shortly be published on our website
- 8.3 Requests from Media will be copied to the Public Relations Team
- 8.4 Publish annual report of requests on our website

9.0 Proposal

- 9.1 To continue with existing monitoring and recording of formal complaints, freedom of information and subject data access requests.
- 9.2 To continue to provide feedback and performance to service areas to provide opportunity to improve service delivery.
- 9.3 To continue to provide performance monitoring within the Customer Service Centre to gain customer insight and improve service delivery.

10.0 Alternatives that have been considered

- 10.1 None

11.0 Resource and legal implications

There is a legal obligation to comply with the Freedom of Information and Data Protection Acts. Compliance does require a significant amount of staff time. However the Customer Services Manager and Head of Business Improvement Services have gained a Practitioner qualification for Freedom of Information to help assist and advise staff in dealing with requests.

12.0 Consultation

- 12.1 None

13.0 Community impact and corporate risks

13.1 None.

14.0 Other Implications

	Yes	No
Crime and Disorder:		X
Climate Change		X
Human Rights and Equality Impact	x	
Safeguarding		X
Other (please specify) eg biodiversity		x

15.0 Appendices

Appendix 1 - Complaints analysis 2014/15

16.0 Background Papers

16.1 Complaints Procedure

16.2 Procedure for dealing with requests for information made under the Freedom of Information Act 2000 & Environmental Information Regulations 2004

Type of Complaint	Service team	Stage 1	Stage 2	Stage 3 LGO	Summary of Complaint
Officer Conduct/Performance	Benefits	√			Complaint concerning a benefit claim.
Procedures/Enforcement	Benefits	√			Complaint Council Tax reduction
Quality of Service	Benefits	√			Complaint that paperwork had not been returned and benefit claim not actioned.
Quality of Service	Benefits	√			Complaint about how a benefit application was processed.
Officer Decision	Building Control	√	√		Complaint concerning issue of Final Building Certificate
Officer Conduct Performance	Contract Services	√			Complaint about member of waste collection crew.
Officer Conduct Performance	Contract Services	√			Complaint concerning a road sweeping truck entering a car park at speed.
Procedures Enforcement	Contract Services	√			Complaint about paying for waste bins.
Quality of Service	Contract Services	√			Refusal of crew to collect clinical waste.
Officer Conduct	Contract Services	√			Complaint about the conduct of one of the crew.
Procedures/Enforcement	Contract Services	√			Complaint concerning closure of toilets for cleaning at a busy time of day
Procedures/Enforcement	Contract Services	√			Complaint concerning damage to bin and the way the bins are returned to their collection point.
Procedures/Enforcement	Contract Services	√			Complaint about having to pay for a replacement bin.
Procedures/Enforcement	Contract Services	√			Complaint about the recycling team not taking a large amount of cardboard on a recycling round.
Quality of Service	Contract Services	√			Complaint concerning damage caused by waste collection crew.
Quality of Service	Contract Services	√			Complaint about the condition of customer's parents graves
Quality of Service	Contract Services	√			Complaint concerning waste collection service
Quality of Service	Contract Services	√			Complaint about having to pay for a replacement bin that was not damaged by customer.
Quality of Service	Contract Services	√			Customer did not receive a response to his calls regarding street sweeping.
Quality of Service	Contract Services	√			Complaint about the bin not being emptied and the attitude of the crew at the time of collection.
Procedures/Enforcement	Contract Services	√			Complaint re letter about size of waste bin.
Procedures/Enforcement	Council Tax			√	Ombudsman ref 14 010 065 Decision not to investigate Council tax investigation
Procedures/Enforcement	Council Tax			√	Case ID - 13013908 Concerning recovery of Council Tax arrears

Type of Complaint	Service team	Stage 1	Stage 2	Stage 3 LGO	Summary of Complaint
Procedures/Enforcement	Council Tax	√	√		Complaint about council tax payments customer wishes a reduction because of parking.
Quality of Service	Council Tax	√			Customer has not received a response to his enquiry
Quality of Service	Council Tax	√			Premature Ombudsman complaint ref 14 009 158 To be treated as Stage 1 Complaint. Customer claims he was not advised by the Council to approach Valuation Office to remove a rental property he was renovating from the council tax list.
Quality of Service	Council Tax	√	√		Complaint about Bailiffs turning up at fathers property and the way Council Tax arrears have been dealt with.
Quality of Service	Council Tax	√			Complaint concerning incorrectly addressed Council Tax account
Quality of Service	Council Tax	√			Length of time it took to see Council Tax Officer when customer visited our reception
Quality of Service	Council Tax	√			Customer did not receive response to Council Tax enquiry.
Quality of Service	Council Tax	√			Complaint concerning non -payment of council tax.
Quality of Service	Council Tax	√			Complaint concerning delay in receiving a response to enquiry.
Officer Conduct/Performance	Customer Services	√	√		Customer complaint that the officer who dealt with his enquiry regarding a parking fine was rude and abrupt.
Quality of Service	Customer Services	√			Complaint concerning service received from Customer Services Officer when purchasing a new bin.
Quality of Service	Customer Services	√			Complaint about officer giving incomplete information regarding applying for to be a Taxi Driver
Quality of Service	Customer Services and Parking	√			Complaint for Customer Services and Parking Services concerning the service received when trying to renew a parking season ticket.
Officer Conduct	Development Management	√			Delay in Application Process
Officer Conduct/Performance	Development Management	√			Delay in decision regarding planning application
Officer Decision	Development Management	√			Complaint concerning decision regarding Housing Allocation policy
Officer Decision	Development Management	√			Planning application decision.
Officer Decision	Development	√			Planning process

Type of Complaint	Service team	Stage 1	Stage 2	Stage 3 LGO	Summary of Complaint
	Management				
Officer Decision	Development Management	√			Planning application.
Procedures Enforcement	Development Management	√			Planning Application installation on antenna
Procedures Enforcement	Development Management	√			Planning Decision
Procedures Enforcement	Development Management	√			Application Process
Procedures Enforcement	Development Management	√			Application Process
Procedures Enforcement	Development Management	√			Planning Procedure
Procedures Enforcement	Development Management	√			Planning Application Decision.
Procedures Enforcement	Development Management	0		√	Ombudsman Complaint 13 002 601 Planning Enforcement matter Ombudsman Decision: Not upheld no maladministration.
Procedures Enforcement	Development Management	√			Planning Application Decision.
Procedures/Enforcement	Development Management	√	√		Complaint concerning decision to include customer's property in the Local Buildings list
Procedures/Enforcement	Development Management	√			Premature Ombudsman complaint ref 13 021 141 Planning application conditions
Procedures/Enforcement	Development Management	√			Planning Application.
Procedures/Enforcement	Development Management	√			Planning Application.
Procedures/Enforcement	Development Management	√			Complaint regarding Planning.
Procedures/Enforcement	Development Management	√	√		Advice given on pre application too complicated for lay person to understand
Procedures/Enforcement	Development Management	√			Renovation works at neighbouring property
Procedures/Enforcement	Development	√			Handling of planning application.

Type of Complaint	Service team	Stage 1	Stage 2	Stage 3 LGO	Summary of Complaint
	Management				
Procedures/Enforcement	Development Management	√			Planning Enforcement Complaint.
Procedures/Enforcement	Development Management	√			Complaint about Planning Enforcement Officer accessing the property without permission from the owner.
Procedures/Enforcement	Development Management	√			Planning Enforcement Complaint
Procedures/Enforcement	Development Management	√			Planning Application.
Procedures/Enforcement	Development Management	√			Planning Application.
Procedures/Enforcement	Development Management	√			Planning Application
Procedures/Enforcement	Development Management	√			Planning Enforcement
Procedures/Enforcement	Development Management	√	√		Planning Enforcement
Procedures/Enforcement	Development Management	√	√		Customer not informed of planning appeal to application he had objected to. Neighbouring properties were informed.
Procedures/Enforcement	Development Management	√			Planning Application
Procedures/Enforcement	Development Management	√			Planning Application.
Procedures/Enforcement	Development Management	√			Planning Application.
Procedures/Enforcement	Development Management	√			Planning Application.
Procedures/Enforcement	Development Management	√			Complaint concerning removal of bin store that was agreed on the original planning application.
Procedures/Enforcement	Development Management	√			Complaint concerning noise from Goodwood Revival Meeting.
Quality of Service	Development Management	√			Delay in planning application validation.
Quality of Service	Development Management	√			Complaint about not receiving a reply about an important planning matter.

Type of Complaint	Service team	Stage 1	Stage 2	Stage 3 LGO	Summary of Complaint
Quality of Service	Development Management	√			Planning Officer not returning customer calls or emails concerning an application.
Quality of Service	Development Management	√			Service received from CDC following the submission of a pre application enquiry.
Quality of Service	Development Management	√			Complaint about Planning taking a while to validate an application
Quality of Service	Development Management	√			Service received after submission of permitted development enquiry.
Quality of Service	Development Management	√			Quality and accuracy of replies to enquiry
Quality of Service	Development Management	√			Delay in Application Decision
Quality of Service	Development Management	√			Customer had not received a response to their enquiry after leaving several requests for return calls
Quality of Service	Development Management	√			Complaint concerning not receiving a response to enquiry
Quality of Service	Development Management	√			Complaint about the Planning procedure and officer's responses.
Quality of Service	Development Management	√			Complaint about a Planning officer.
Officer/Conduct Performance	Environmental Health	√			Officer Conduct during interview.
Procedures Enforcement	Environmental Health			√	Ombudsman complaint 14 000 179 Noise complaint investigation. Complaint not upheld
Procedures Enforcement	Environmental Health	√			Noise Complaint
Procedures/Enforcement	Environmental Health	√			Complaint about payment of dog kennelling fee
Procedures/Enforcement	Environmental Health			√	Ref: 14 009 587 Noise Complaint
Procedures/Enforcement	Environmental Health	√			Noise Complaint
Procedures/Enforcement	Environmental Health		√	√	Noise from Goodwood Motor Circuit.
Quality of Service	Environmental Health	√			Complaint concerning service received from Pest Control Officer
Procedures/Enforcement	Estates	√			Complaint regarding the Termination of the Lease
Procedures/Enforcement	Estates	√			Complaint about paying for a licence for right of way and not being able to use it.

Type of Complaint	Service team	Stage 1	Stage 2	Stage 3 LGO	Summary of Complaint
Officer Conduct	Health and Wellbeing	√			Complaint concerning a Basketball sport in the community day on 20/8/14 at Chichester university. Customer alleges child was hit by another child and mother was not informed.
Officer Conduct	Housing	√			Complaint about the attitude of Housing Officer.
Officer Conduct Performance	Housing	√			Complaint about an officer.
Procedures/Enforcement	Housing		√	√	Housing Allocation policy
Procedures/Enforcement	Housing		√	√	Request for priority transfer on housing register
Procedures/Enforcement	Legal	√			Westgate complaint being dealt with by Legal
Quality of Service	Member Services			√	Complaint reference: 14 006 297 complaint concerning decision of Council regarding a code of Conduct complaint
Procedures/Enforcement	Parking	√			Complaint that he had received a PCN, appealed it and not happy with the outcome.
Procedures/Enforcement	Parking	√			Parking Fine sent to the wrong address
Procedures/Enforcement	Parking	√			Complaint concerning action taken re benefits claim.
Officer Conduct	Parking Services	√			Complaint concerning conduct of bailiffs employed by the Council to collect parking fine
Officer Conduct Performance	Parking Services	√			Conduct of Civil Enforcement Officer when asking customer to move from loading area.
Officer Conduct/Performance	Parking Services	√			Complaint concerning conduct of Car Parking Officer.
Officer/Conduct Performance	Parking Services	√			Complaint concerning parking service van parked in coach bay and causing an obstruction.
Procedures Enforcement	Parking Services	√			Letter re X Roving Parking Tickets.
Procedures Enforcement	Parking Services	√			Parking at Swanfield Drive.
Procedures/Enforcement	Parking Services	√	√		Parking procedures re residents permits
Procedures/Enforcement	Parking Services	√			Complaint received about not being about to have a yellow line dispensation to visit dying father. Fiona D spoke to customer regarding this matter and verbally answered the complaint the same day.
Procedures/Enforcement	Parking Services	√			Parking Fine.
Procedures/Enforcement	Parking Services	√			Complaint received about the attitude of a CEO
Procedures/Enforcement	Parking Services	√			Complaint concerning issue of penalty charge notice.
Procedures/Enforcement	Parking Services	√			Complaint concerning parking fine.
Procedures/Enforcement	Parking Services	√			Complaint about marking in Bosham Car Park.

Type of Complaint	Service team	Stage 1	Stage 2	Stage 3 LGO	Summary of Complaint
Procedures/Enforcement	Parking Services	√			Complaint about the new Parking zones.
Procedures/Enforcement	Parking Services	√			Parking permit waiting list.
Procedures/Enforcement	Parking Services	√	√	√	Complaint concerning parking fine.
Procedures/Enforcement	Parking Services	√			Customer has purchased a season ticket for Post Office car park at Midhurst but often cannot find space to park.
Procedures/Enforcement	Parking Services	√			Complaint concerning parking enforcement in Wittering's area
Quality of Service	Parking Services	√			Complaint about builders parking on yellow lines and could CEO's patrol more often.
Quality of Service	Parking Services	√			Complaint about continuously getting parking tickets when they have a parking agreement with us.
Quality of Service	Parking Services	√			Complaint about the new barriers at the ADC car park.
Quality of Service	Parking Services	√			Complaint about travellers in Northgate car park, customer struggled to find a parking space, she has a season ticket
Quality of Service	Parking Services	√			Customer did not receive a reply to her enquiry
Quality of Service	Parking Services	√			Complaint concerning barrier at ADC car park not lifting for season ticket holder and the out of hour's response time for the helpline phone.
Quality of Service	Parking Services	√			Customer has not received a response to her enquiry
Quality of Service	Parking Services	√			Complaint about not receiving a refund yet which was requested end of Feb after returning parking permit.
Officer Conduct/Performance	Westgate	√			Complaint received about the swimming pool
Quality of Service	Westgate	√			Complaint about not being able to get a refund for the Tai Chi class that's was not available due to Council Maintenance.
Quality of Service	Westgate Leisure	√			Conduct of Officer

Agenda Item 10

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 29 SEPTEMBER 2015

Fraud Prevention Report 2014-15

1. Contacts

Report Author:

Sue Shipway, Senior Auditor,

Tel: 01243 785166 x3215

E-mail: sshipway@chichester.gov.uk

2. Recommendations

2.1. The committee is requested to consider this report and the corporate approach to fighting fraud to ensure they fulfil their stewardship role and protect the public purse.

2.2. The committee notes that the Council will actively pursue potential frauds identified through participation in the National Fraud Initiative (NFI).

3. Summary

3.1 This report aims to give the assurance on the arrangements in place for the prevention of fraud throughout the council.

3.2 That there is adequate experience remaining within the council to counter fraud and corruption corporately, post transfer of the council's housing benefits fraud team to the Department for Works and Pensions (DWP) in December 2015.

4. Proposal

4.1. For councillors and others responsible for audit and governance to review the counter fraud arrangements on an annual basis.

5. Alternatives that have been considered

5.1. None

6. Resource and legal implications

6.1. A new Corporate Counter Fraud Officer (CCFO) post will be funded from existing budgets.

6.2. In order to fulfil legal requirements, the CCFO will need to be fully conversant with PACE, Fraud Act 2006 and Data Protection Act 1998.

7. Consultation

7.1 Strategic Leadership Team (SLT) have considered the need to retain a corporate fraud officer following the transfer of the current fraud team to the DWP.

8. Community impact and Corporate risks

8.1 There is potentially a corporate risk to the council once the expertise of the current benefits fraud team is lost.

9. Main Report

9.1 Local Government fraud involves substantial loss to the public purse. According to the Audit Commission, the most recent estimate of the annual loss to local government was £2.1 billion, excluding benefit fraud.

9.2 Although there was no requirement to participate in the protecting the public purse survey for 2015. The Audit Commission published their last report – Protecting the Public Purse 2014 prior to their closure in March 2015. The purpose of the report was to:

- raise awareness of the importance of fighting fraud;
- promote transparency and accountability about counter-fraud in local government bodies;
- Improve data on fraud detection, including benchmarking; and
- promote good practice in fighting fraud.

9.3 It is reported in the protecting the public purse 2014 report, that in the past five years, councils have shifted their focus from benefit fraud to non-benefit fraud. They also reported that overall, councils were detecting more non-benefit frauds. The council did not report any non-benefit fraud cases during 2014-15.

9.4 During 2014-15 the council's dedicated benefit fraud team investigated 354 claims in total and identified over potential recovery of £266k as a result, these related to 51 cases and 10 of these were taken to court and successfully prosecuted. The council has always been keen to demonstrate it has a strong anti-fraud culture and when a prosecution is successful the council prepares a press release that is published on both the website and local newspaper.

9.5 The National Fraud Initiative (NFI) data matching service was transferred to the Cabinet Office when the Commission closed. Data matches are reviewed each year by Revenue and Benefits and Internal Audit. During the 2014-15 review, a number of positive matches was identified, these errors totalled £32k. These have been subsequently reported to the relevant Service and corrective action taken. The council will continue to actively review NFI data during 2015-16.

9.6 Mitigating the risk of fraud and corruption is the responsibility of management. All risks identified are recorded in a corporate risk register. Internal Audit establish their three year and annual plan on a risk based approach which is reviewed and updated annually thus responding to new risks as they arise. However, audit procedures alone cannot guarantee that fraud or corruption will be detected.

9.7 The council have a Whistleblowing Policy, which was reviewed and updated this

year. No cases were identified through this media during 2014-15.

- 9.8 By the end of 2015, councils will no longer deal with benefit fraud as all investigations will be transferred from councils to the Single Fraud Investigation (SFIS), run by the Department for Works and Pensions (DWP). This means that from December 2015, the council will lose the expertise of three experienced members of the benefits fraud team.
- 9.9 Because of this potential gap in knowledge, the council has considered ways to protect and enhance their investigative resources, so that they maintain or improve their capacity to detect and prevent fraud corporately.
- 9.10 On the 14th September, the Senior Leadership Team (SLT) approved the post of a corporate fraud officer which will be advertised and hopefully filled before the end of the year. It is anticipated that this post can be funded from existing budgets, but will be subject to review after 6 months to ensure appropriate resource is available.
- 9.11 After 2016, when central government no longer contributes funds for counter-fraud activity, councils will need to recover more losses than they have done previously and the Corporate Fraud Officer will have an important part to play in identifying potential losses.
- 9.12 Overall, the council continues to operate within a robust framework of policies and procedures. This is intended to direct the activity of the council and ensure transparency and accountability. Responsible officers are expected to ensure those effective internal control arrangements are in place. Internal Audit is responsible for reviewing these controls annually in order to give assurance to those charged with Governance and to report on any weaknesses or potential areas of fraud with recommendations to address such risks.

10. Appendices

10.1 None

11. Background Papers

11.1 None

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE 29 September 2015

Audit Reports & Audit Progress Report

1. Contacts

Report Author:

Stephen James – Principal Auditor

Tel: 01243 534736

E-mail: sjames@chichester.gov.uk

2. Recommendation

The committee is requested to note the audit reports and the audit plan progress.

3. Main Report

3.1. Safety Inspections (Zurich)

This audit focused on the safety checks undertaken by Zurich engineering; checks undertaken by the Council were not included. Overall Internal Audit has been reassured that inspections are being undertaken but have identified areas where controls could be strengthened. Three recommendations have been made two high priority and one medium priority.

3.2. Development Management Audit

This audit focused on the processes for development management for planning services for SDNPA and that they were identified and documented. In addition, testing was undertaken of planning applications for SDNPA to identify and test that income is properly accounted for. Areas that were not tested were Development Management processes for CDC (i.e. not SDNPA) and planning enforcement and section 106 agreements for SDNPA.

Overall Internal Audit found that the controls appear to be working satisfactorily in relation to where SDNPA planning applications are handled by the CDC's development management team, the evidence for performance monitoring could be improved. Three recommendations have been made one medium priority and two low priority.

4. Outcomes to be achieved

4.1. Not Applicable

5. Alternatives that have been considered

5.1. Not Applicable

6. Resource and legal implications

6.1. Not Applicable

7. Consultation

7.1. Not Applicable

8. Community impact and corporate risks

8.1. Not Applicable

9. Other Implications

Are there any implications for the following?		
	Yes	No
Crime & Disorder:		√
Climate Change:		√
Human Rights and Equality Impact:		√
Safeguarding:		√
Other (Please specify):		√

10. Appendices

- 10.1. Progress Report – Audit Plan
- 10.2. Development Management Audit
- 10.3. Safety Inspections (Zurich)

11. Background Papers

13.1 None

Progress Report – Audit Plan



As at 31 August 2015

Appendix 1

Audits	Auditor	No of Days	Days Remaining	Position with Audit
Key Financial Systems - See below for details	Sue Shipway / Julie Ball / Sarah Hornsby/Philippa Watts	40	22	On-going
Building Control	Julie Ball	10	0	On-going
Security of Assets	Julie Ball	10	0	Draft Report
Personnel and Recruitment pre-checking (Carried Forward from 2014-15)	Sue Shipway / Philippa Watts	25	6	Testing
Food Safety	Sarah Hornsby	15	13	Planning
Consultants Review	Sue Shipway	5	0	On-going
Housing Benefits	Sue Shipway/Sarah Hornsby	20	6	Testing
Other Audit Activities	Auditor	No of Days	Days Remaining	Position with Audit
Audit Reviews	Stephen James/Sue Shipway	15	5	On-going
Corporate Advice	Stephen James / Sue Shipway/ Julie Ball	20	19.5	On-going
Contingency (Seperate analysis available)	Stephen James / Sue Shipway /Philippa Watts/ Julie Ball	120	108	On-going
PSIAS	Stephen James/Sue Shipway	20	13.15	On-going
AGS + supporting evidence	Stephen James	30		On-going
NFI	Sue Shipway	20	15.5	On-going
Follow Ups	Stephen James / Sue Shipway/ Julie Ball	20	16	On-going

Completed Audits				
Safety Inspections - Zurich	Sarah Hornsby	10	0	Agreed Report
Car Parks	Julie Ball	18	17	Follow up only - Covalant updated
Development Management	Philippa Watts	15	0	Agreed Report
Fraud Review and IAS240	Sue Shipway	15	2	Agreed Report
Carried Forward	Sarah Hornsby & Julie Ball	15	15	
Inclusion in Key Financial Systems				
Creditors	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Debtors	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Payroll	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			Planning
MMOR	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby	40	See Above	Testing
Council Tax	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Bank Reconciliation	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Budgetary Control	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			



Internal Audit Report

Development Management Audit

**Philippa Watts
Auditor
August 2015**

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1 Introduction

- 1.1 From the 1 April 2011 the South Downs National Park Authority (SDNPA) became the sole planning authority for the area of the South Downs National Park. Since this date SDNPA placed some of its development management planning functions through agency arrangements with local planning authorities that have a part of their areas within the National Park, Chichester District Council (CDC) being one of these local planning authorities.
- 1.2 The current agency agreement between the SDNPA and Chichester District Council was signed on the 23rd April 2014 and runs from 1 April 2014 to 31 March 2017.

2 Scope

- 2.1 The scope for this audit review was agreed to ensure that:
 - The processes for development management planning services for the SDNPA were identified and documented.
 - Development management planning service processes for CDC (i.e. non SDNPA) were documented for comparison but were not tested during this audit. A separate audit of this area will be undertaken at a later stage.
 - The areas of planning enforcement and section 106 agreements for the South Downs National Park were not be covered in this audit.

In addition, testing was undertaken of planning applications for the SDNPA to identify and test that income is properly accounted for and that:

- a) CDC use the SDNPA IDOX Uniform administration system to register and validate all South Downs National Park applications,
- b) adequate documentation is available to support planning applications,
- c) each application has a unique reference,
- d) the correct fee has been charged,
- e) the case report and decision for the planning application has been signed off by the planning officer concerned and authorised by a senior officer or at Planning Committee,

- f) the relevant fee income has been received by the SDNPA and
- g) there are adequate procedures to support processes.

3 Findings

- 3.1 A sample of 25 planning applications was chosen at random from 2015/16 year to date.
 - 3.1.1 The entire sample tested had a unique reference number.
 - 3.1.2 The process for the recording of fees has recently changed to make it easier for the reconciliation of income to be undertaken. Since May 2015, the SDNPA email out reports showing the transactions that they receive for every type of payment from all local authorities. These reports are issued on a daily and weekly basis. The SDNPA have now requested that all local authorities acting as agents for them enter the user analysis number from these reports against the relevant receipt number field in Uniform. This then identifies that the fee has been received by the SDNPA and enables all fee income to be reconciled more quickly at each quarter. It was confirmed for all but one application that the SDNPA had received the appropriate fee. In the exception, a SDNPA report was missing and was requested from the park. This report has now been received and receipt of the fee by the park has been confirmed.
 - 3.1.3 Evidence was found for 24 of the 25 planning applications tested, that the case officer report had been appropriately signed by the planning officer concerned and authorised by a senior officer or had been approved at Planning Committee. In the only exception, there was no signature by the planning officer concerned, although there the application had been completed correctly.
- 3.2 Over the past 18 months the SDNPA have issued the relevant procedures and guidance covering the use of the Uniform system and planning administration. The issue of guidance for a recent change in procedures was also evidenced. It was noted that procedures, such as the pre-application procedure manual for Uniform, require updating for where SDNPA cheques are sent, that is, the SDNPA Head Office in Midhurst which moved from Petersfield in May 2014.
- 3.3 Access to the SDNPA Uniform system is limited to authorised planning staff. The number is controlled by the SDNPA. The system is hosted by IDOX and they have responsibility for ensuring data protection and business continuity.
- 3.4 It was established during the audit that CDC hold the relevant insurances as required in the S101 agreement with the SDNPA.
- 3.5 The current S101 agreement was reviewed by senior staff including legal staff prior to its renewal in April 2014 and was approved by Cabinet. It was noted

during the audit that the current S101 agreement between CDC and the SDNPA states that 'each party shall review the agreement at least annually and report its findings to the other. The parties shall pay particular attention to the effectiveness of the arrangements, costs, income, expenditure, performance and decision making.' The annual review for the year ending April 2015 is overdue; the Head of Planning Services stated that a meeting has now been booked to take place on the 5th October 2015.


In addition, the Head of Planning Services indicated that performance is discussed informally via meetings held on a quarterly basis at the Planning Working Group, which includes staff at the SDNPA and various host authorities. Both paper and electronic files of agenda's and minutes of these meetings were provided. The latest SDNPA report found on file relating to the development management performance of host authorities, including CDC, was dated October 2014. This covered performance for the first quarter of 2014/15 (1 April 2014 to 30 June 2014). Therefore nothing was formally recorded from July 2014 to date.

4 Conclusion

- 4.1 Overall, controls appear to be working satisfactorily in relation to SDNPA planning applications handled by the CDC development management team. The evidence for performance monitoring could be improved and so a recommendation has been made, along with a couple of lower priority recommendations. (See Action Table at Appendix 1).
 - 4.2 In order to prioritise the issues raised, the following traffic light indicator has been used:
 - 4.3 Red – Significant issues to be addressed
 - 4.4 Amber – Important issues to be addressed
- Green – Minor or no issues to be addressed

5 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.5	Planning Services should keep documentation of any future reviews and the results of its own performance reviews and reviews made by the SDNPA (in accordance with the agency agreement) so these reviews can be evidenced in future follow up audits.	Andrew Frost, Head of Planning Services	●	Yes	Review meetings are driven and requested by the SDNPA. The next meeting is in October and notes will be taken.	30.11.2015
3.1.3	It is recommended that staff be reminded to authorise planning applications and to keep documentation to evidence this.	Andrew Frost, Head of Planning Services	●	Yes	A reminder (via email) will be sent to all relevant staff.	31.10.2015

3.2	Procedures are updated to reflect the change in address of the SDNPA offices.	Sam Carter, Administration Manager, Development Manager		Yes	This recommendation has been agreed and the procedure has been updated.	Completed
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**Internal Audit Report
2015-2016**

Safety Inspections (Zurich)

**Sarah Hornsby
02 September 2015**

Contents

Audit: Safety Inspections (Zurich)
Auditor: Sarah Hornsby

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1 Introduction

- 1.1 The Council has a responsibility to mitigate risks wherever possible. In doing so they also reduce the potential for claims to be made by staff and members of the public who may injure themselves using the Council's services and equipment.
- 1.2 To aid the Council in this process they have employed the insurers Zurich to carry out inspections on all engineering equipment, subject to specific regulations using their specialist team Zurich Engineering. After an inspection has been undertaken a report is provided with a defect type, which is to be rectified within a certain timescale. The different types of defects and the timescales are: -

Item Status	Summary	Action Required	Crimson update required
Serious Defect AE, AN	Item is or could soon become a serious danger to the safety of people	Immediately take out of service and do not use until defect is rectified. Aim to rectify within 7 days	Update within 7 days with actions taken/planned Track actions to closure
Other Defects BD	Requires attention, typically as part of routine maintenance	Must be rectified within 30 days	Update within 30 days with actions taken/planned Track actions to closure
See Observations	Customer advice notice	Review and if appropriate take action Aim to complete within 30 days	Update within 30 days with actions taken/planned Track actions to closure
OK	No defect, but there may be a recommendation	None unless there is a recommendation, in which case you should review and take action if appropriate.	Update within 30 days to confirm report reviewed. If there was a recommendation, include a comment regarding any planned actions
Not available Not located NV, NL	Item was not available for inspection or could not be found	Item should be located and Zurich called back to inspect as soon as possible. If item has been sold/lost, notify the Insurance Officer who will update	Update within 30 days to confirm actions taken

		Crimson Aim to complete within 30 days	
Deleted DL	Item removed from inspection schedule (typically sold, replaced or lost). It will remain on Crimson with details of any previous inspections. No action is required.		

2 Scope

- 2.1 The Council perform their own safety inspections as well as relying on the work of Zurich Engineering. This audit reviewed the procedures in place for Zurich Engineering and not of any internal inspections undertaken by the council.
- 2.2 The Audit focused on the following areas: -
- Risk Management - That services have identified their risks and taken mitigating action by carrying out Risk Assessments and Pre Work Checklists at least annually.
 - Operational Monitoring & Reporting - that defects are rectified within the designated timescale and reported at the appropriate level.
 - Reputational Risk - accidents as a result of not rectifying a defect would result in adverse publicity and insurance claims being made against the Council.

3 Findings

- 3.1 Inspections on equipment and plant are undertaken at set times throughout the year. The frequency of testing is determined by the risk attached to the activity and dependent on regulation recommendation. Each location within Chichester District Council has a Chichester District Council employee, otherwise known as the Responsible Person, who is responsible for communicating with Zurich over the inspection visits. It is then the responsibility of the location Manager, Head of Service and Director to ensure compliance with the procedures associated with these inspections.
- 3.2 Appointments are made by Zurich prior to the inspection usually one to two weeks in advance. Testing found that in all cases the Responsible User, or their representative, were contacted prior to the inspection.
- 3.3 Reports, once produced, are placed by the inspector onto the Zurich System (Crimson) which the Responsible Person has access to. They are notified by email that a report is available and it is their responsibility to review, action and comment on the report. If the actions taken are not recorded on Crimson there is an incomplete audit trail, leaving the council open to potential legal action in the future. Testing found that these notes were not always completed in a timely manner.

- 3.4 Zurich produces defect reports which are classified according to the seriousness of the defect. For example, if the Service is provided with a Type AE or AN defect it is categorised as a piece of equipment that could now or soon become a serious danger to the safety of people. As a result the service is issued with a report at the end of the on-site inspection which they must sign for, and the equipment cannot be used until that defect is repaired. From the sample tested it was found that there was one Type AN defect issued. The service was issued with a report at the end of the site inspection, which was signed for. However, the piece of equipment was not taken out of service until four days later and action taken was not recorded on Crimson, leaving an incomplete audit trail.
- 3.5 All Responsible Persons have been provided with training and procedure notes to follow when dealing with Zurich. They are required to complete a Pre Works Checklist and Risk Assessment for the area to be inspected and where necessary obtain a site specific risk assessment from Zurich. Testing found that of the 13 cases tested, 12 had either not produced a Pre Works Checklist or were unable to locate them when requested to by Internal Audit. Risk assessment for all the areas tested had been completed.
- 3.6 The Council's Insurance Officer produces an Inspection Status Report for each site on a quarterly basis. These reports enable all outstanding defects to be highlighted and monitored. They are presented at quarterly meetings held with the relevant service area and Head of Service so ensuring that any insufficient action by those responsible is escalated to Senior Management.
- 3.7 Testing found that access rights for users of Crimson are restricted to the maintenance of their user profile. Crimson is also password controlled and a backup procedure carried out by Zurich secures all the information processed and held.

4 Conclusion

- 4.1 Overall Internal Audit is reassured that inspections are being undertaken however, the audit has identified areas where controls could be strengthened. Therefore recommendations have been made and these can be seen in the action plan on the next page.

5 Recommendations

- 5.1 An Action Table has been produced for recommendation made, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:

Red – Significant issues to be addressed


Amber – Important issues to be addressed

Green – Minor or no issues to be addressed

6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Responsible Officers	Priority	Agreed?	Comments	Implementation Date
3.3	That Responsible Officers are reminded that they must access the system and make comments or actions on each defect report, ensuring an audit trail of events, in a timely manner	Accountancy Services Manager to raise the profile with Heads of Services who will be responsible for ensuring that action is taken	●	Yes	Accountancy Services Manager, will aim to include in Management Forum Risk Management training scheduled for 16 December 2015	31 December 2015
3.4	Responsible Officers are made aware that equipment found to have a type AE or AN defects are to be taken immediately out of service until the defect is repaired	Accountancy Services Manager to raise the profile with Heads of Services who will be responsible for ensuring that action is taken	●	Yes	Accountancy Services Manager, will include in Management Forum Risk Management training scheduled for 16 December 2015. It will also be raised at the next quarterly review meeting with the specific service.	31 December 2015

Chichester District Council
Internal Audit Report

3.5	Responsible Officers are to be made aware that they are to carry out Pre Work Checklists at least annually, and documentation is to be kept on file to show this has been completed.	Accountancy Services Manager to raise the profile with Heads of Services who will be responsible for ensuring that action is taken		Yes	Accountancy Services Manager, will include in Management Forum Risk Management training scheduled for 16 December 2015. It will also be raised at the next quarterly review meeting with the specific service.	31 December 2015
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