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GOVERNANCE & AUDIT COMMITTEE AGENDA

Membership: Councillor Smith K (Chairman)

Councillors Davis, Lenaghan, Rees, Seal and Smith D

Meeting: Governance & Audit Committee

Date: Wednesday 14 March 2018

Time: 5.00 pm

Venue: Hollybank Room, Public Service Plaza, Civic Centre Road,
Havant, Hants PO9 2AX

The business to be transacted is set out below:

Nick Leach
Monitoring Officer

6 March 2018

Contact Officer: Nicholas Rogers 023 9244 6233
Email: nicholas.rogers@havant.gov.uk

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| 1 Apologies | |
| To receive apologies for absence. | |
| 2 Minutes | 1 - 2 |
| To confirm the minutes of the Governance and Audit Committee held on 10 January 2018 | |
| 3 Declarations of Interest | |
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GENERAL INFORMATION

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PROTOCOL AT MEETINGS – RULES OF DEBATE

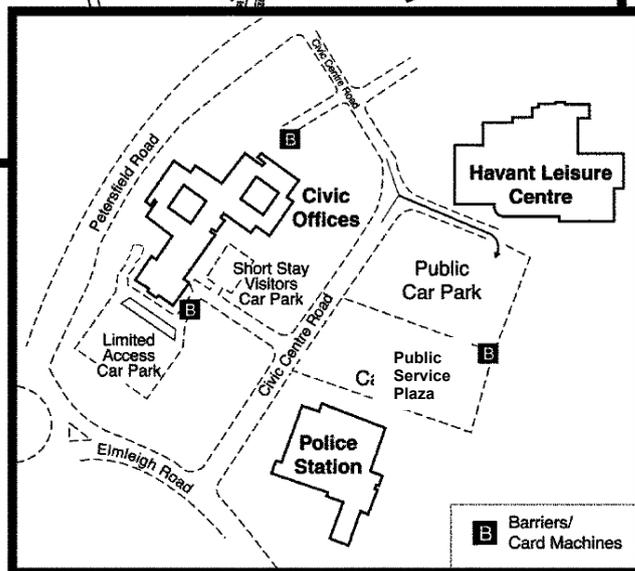
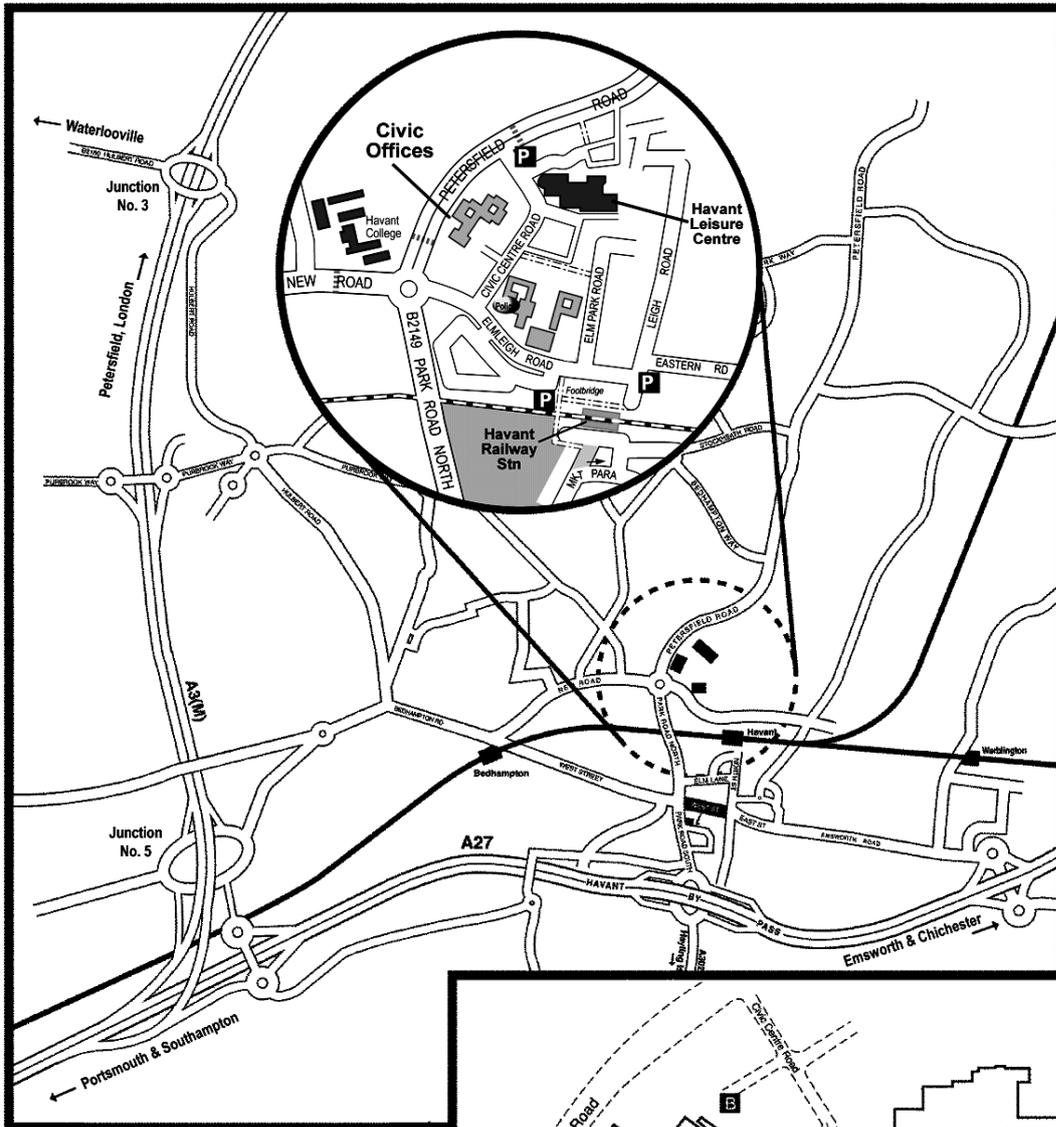
Rules of Debate

- Councillors must always address each other as “Councillor ...” and must always address the meeting through the Chairman
- Councillors may only take part in the debate if they are present at the meeting: video conferencing is not permissible
- A member of the Committee may not ask a standing deputy to take their place in the Committee for part of the meeting
- The report or matter submitted for discussion by the Committee may be debated prior to a motion being proposed and seconded. Recommendations included in a report **shall not** be regarded as a motion or amendment unless a motion or amendment to accept these recommendations has been moved and seconded by members of the Committee
- Motions and amendments must relate to items on the agenda or accepted by the meeting as urgent business
- Motions and amendments must be moved and seconded before they may be debated
- There may only be one motion on the table at any one time;
- There may only be one amendment on the table at any one time;
- Any amendment to the motion can be moved provided it is (in the opinion of the Chairman) relevant to the matter under discussion. The amendment can be a direct negative of the motion.
- The mover with the agreement of the seconder may withdraw or alter an amendment or motion at any time
- Once duly moved, an amendment shall be debated along with the original motion.
- If an amendment is carried, the motion as amended shall take the place of the original motion and shall become the substantive motion on which any further amendment may be moved.
- If an amendment is rejected different amendments may be proposed on the original motion or substantive motion.
- If an amendment is lost, other amendments may be moved to the original motion or substantive motion
- If an amendment is lost and there are no further amendments, a vote will be taken on the original motion or the substantive motion
- If no amendments are moved to the original motion or substantive motion, a vote will be taken on the motion or substantive motion
- If a motion or substantive motion is lost, other motions may be moved

Voting

- Voting may be by a show of hands or by a ballot at the discretion of the Chairman;

- Councillors may not vote unless they are present for the full duration of the item;
- An amendment must be voted on before the motion
- Where there is an equality of votes, the Chairman may exercise a second (casting) vote;
- Two Councillors may request, before a vote is taken, that the names of those voting be recorded in the minutes
- A Councillor may request that his/her vote be recorded in the minutes



Havant
BOROUGH COUNCIL
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HAVANT BOROUGH COUNCIL

At a meeting of the Governance & Audit Committee held on 10 January 2018

Present

Councillor Smith K (Chairman)

Councillors Davis, Lenaghan, Sceal and Smith D

1 Apologies

Apologies for absence were received from Councillor Rees.

2 Minutes

RESOLVED that the minutes of the Governance and Audit Committee held on 26 September 2017 be approved as a correct record.

3 Declarations of Interest

There were no declarations of interest.

4 Chairman's Report

The Chairman reminded members that matters discussed in the exempt session of the Full Council meeting on 13 December remained exempt.

5 Local Government Ombudsman Annual Letter 2017

The Committee considered the Local Government Ombudsman's Annual Review Letter 2017.

The Committee was pleased to note that the number of complaints received had reduced from the previous year.

RESOLVED that the content of the report be noted.

6 Monitoring Officer's Update

The Deputy Monitoring Officer informed the Committee that there had been one Code of Complaint received since the last meeting. This had resulted in no further action being taken.

In total for 2017, nine Code of Conduct complaints were received. Of these nine, one had been due to be submitted for investigation, but the complainant withdrew their complaint prior to any investigation being undertaken.

7 Audit Annual Letter 2016/2017

The Committee considered the Annual Audit Letter 2016/17 as presented by Ernst and Young LLP. Jason Jones of Ernst and Young LLP joined the meeting for the debate on this item and answered members' questions in connection with the report.

The Annual Audit Letter summarised the findings from the 2016/17 audit. The letter gave an 'unqualified' opinion on the Council's financial statements and concluded that proper arrangements to secure value for money were in place.

The Letter also highlighted the impact of the change in statutory deadlines for the publication of the audited accounts to 31 July 2018 and the measures in place to aid preparation for this.

RESOLVED that the Annual Audit Letter 2016/2017 from Ernst and Young LLP be noted.

8 Internal Audit Progress Report

The Committee considered the Internal Audit Progress Report presented by Antony Harvey and Amanda Chalmers of the Southern Internal Audit Partnership, who joined the meeting for the debate on this item and answered members' questions in connection with the report.

The Committee were informed that since the report had been published, all areas of the audit plan were now in progress and the officers remained confident that the work of Internal Audit was on track for completion by the end of the financial year.

Furthermore, there were no significant issues to be highlighted at this stage.

RESOLVED that the Internal Audit Progress Report be noted.

The meeting commenced at 5.00 pm and concluded at 5.25 pm

NON-EXEMPT

HAVANT BOROUGH COUNCIL

Governance And Audit Committee

14 March 2018

AUDIT PLAN 2017/18
Ernst & Young

FOR INFORMATION

Cabinet Lead: Councillor Lulu Bowerman

Key Decision: No

1.0 Purpose of Report

1.1 To present the Audit Plan for 2017/18.

2.0 Recommendation

2.1 That the Committee note the contents of the report

3.0 Summary

3.1 The fulfil our responsibilities as your external auditor we are required to present formally the paper attached to this report to those charged with governance.

4.0 Reports

4.1 Audit Plan

The purpose of this report is to provide the Governance and Audit Committee with our proposed audit approach and scope for the 2017/18 audit. This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. It is also to ensure that our audit is aligned with the Committee's service expectations.

5.0 Implications

5.1 Resources: No direct implications

5.2 Legal: No direct implications

- 5.3 Strategy: No direct implications
- 5.4 Risks: No direct implications
- 5.5 Communications: No direct implications
- 5.6 For the Community: No direct implications
- 6.0 Consultation:** Chief Financial Officer

Agreed and signed off for publication by:

Head of Service: 27/02/18
Head of Finance: 27/02/18
Head of Legal: 28/02/18

Contact Officer: Jason Jones
Job Title: Audit Manager
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**Havant Borough
Council**
Audit planning report
Year ended 31 March 2018

2 March 2018



Private and Confidential
Governance and Audit Committee
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

2 March 2018

Dear Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Governance and Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

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

We welcome the opportunity to discuss this report with you on 14 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain

For and on behalf of Ernst & Young LLP

Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between 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 "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance and Audit Committee and management of Havant Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee, and management of Havant Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance and Audit Committee and management of Havant Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

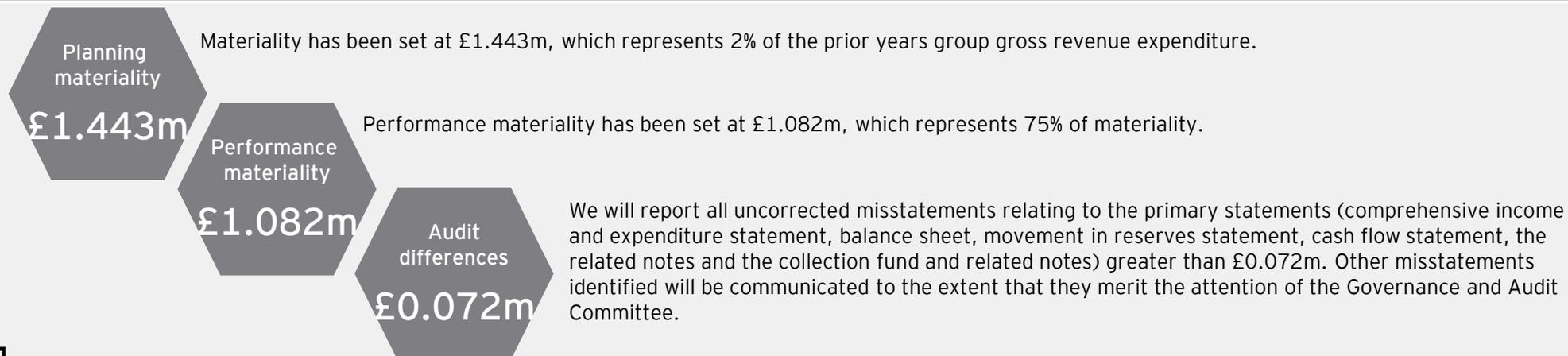
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

| Risk / area of focus | Risk identified | Change from PY | Details |
|---|---------------------------------|----------------------------|--|
| Risk of management override | Fraud risk/ Significant risk | No change in risk or focus | As identified in ISA 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 would otherwise appear to be operating effectively. |
| Risk of fraud in revenue and expenditure recognition | Fraud risk/ Significant risk | Increase in risk or focus | Under ISA240 there is now a presumed risk that revenue may be misstated due to the improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. With the wider pressure on finances within the sector, we are no longer able to rebut this presumption. |
| Valuation of Land and Buildings and Pension Liabilities | Other financial statement risk | Increase in focus | The valuation of land and buildings and pension liabilities are complex and are subject to a number of assumptions and judgements, including reliance by management on the work of external experts. |
| Capacity of the Finance Team and faster close | Other financial statement risk | No change in risk or focus | As part of the Council's implementation of the new corporate services contract the finance team has now transferred over to Capita and there has been a significant turnover of key staff. There is a new requirement this year for the financial statements to be audited by the end of July 2018, which increases the pressure on the finance team. This combination presents a risk to the delivery of the financial statements in line with the agreed audit timetable, due to delays in responding to audit queries and the potential impact of the quality of financial information presented for audit. |

Overview of our 2017/18 audit strategy

Materiality



Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Havant Borough Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



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02 Audit risks



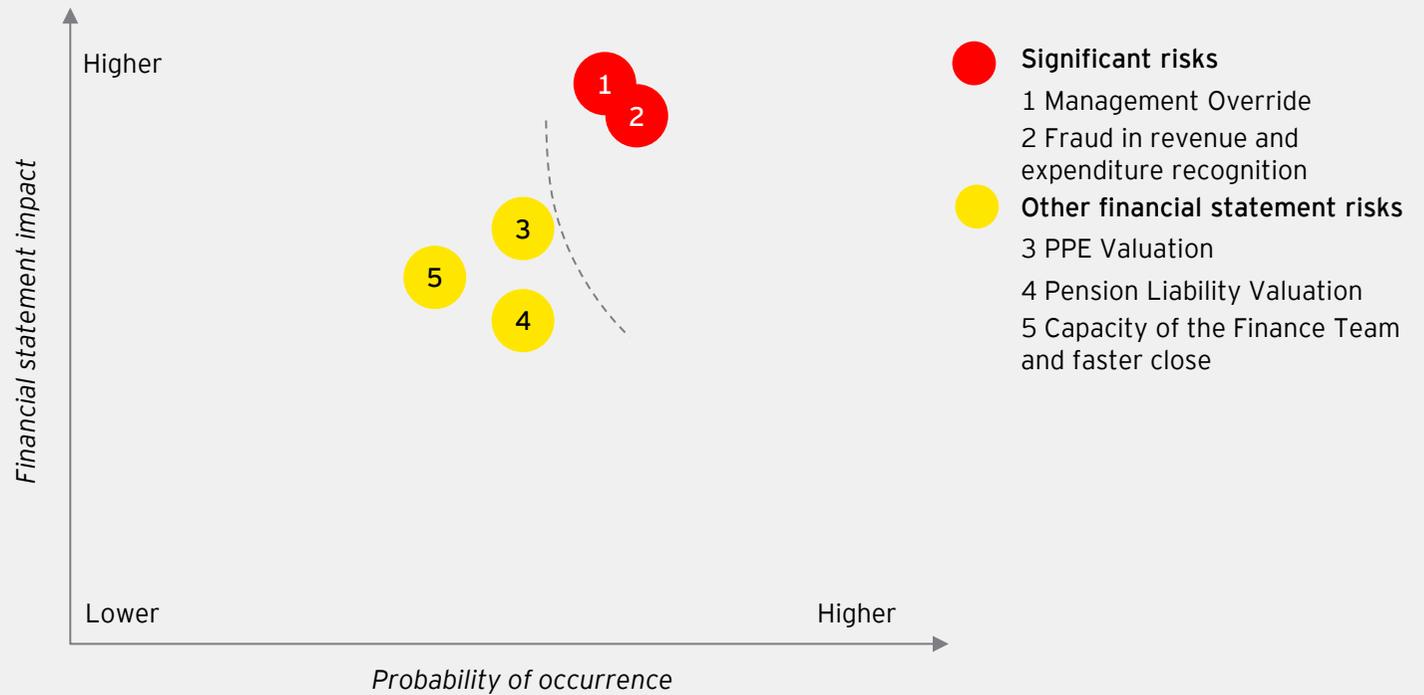
Risk assessment

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2017 Annual Report and Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:

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Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

| | What is the risk? | What will we do? |
|--|---|---|
| <p>Risk of management override*</p> | <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>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.</p> | <ul style="list-style-type: none"> ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks; ▶ Understanding the oversight given by those charged with governance of management's processes over fraud; ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud; ▶ Determining an appropriate strategy to address those identified risks of fraud; ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias; ▶ Evaluating the business rationale for significant unusual transactions; and ▶ Evaluating the appropriateness of any changes in accounting policy. |



Audit risks

Our response to significant risks

Risk of fraud in revenue and expenditure recognition*

What is the risk?

Under ISA 240 there is now a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. With the wider pressure on finances within the sector, we are no longer able to rebut this presumption.

What will we do?

- ▶ Review and test revenue and expenditure recognition policies.
- ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias.
- ▶ Develop a testing strategy to test the completeness and valuation of expenditure accruals for material expenditure streams.
- ▶ Develop a testing strategy to test the existence and valuation of income accruals for material revenue streams.
- ▶ Review in-year financial projections and compare to year-end position.
- ▶ Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Financial statement impact

We have assessed that the risk of fraud in revenue and expenditure recognition is most likely to affect the estimates in the financial statements, such as year end accruals, provisions and asset valuations. These impact both on the Balance Sheet and Income Statement.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What will we do?

We will:

- ▶ Review the competency of the valuer by assessing their qualifications, experience and professional reputation;
- ▶ Review the relationship of the valuer to the Council;
- ▶ Review the output of the Council's valuer;
- ▶ Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists (where necessary);
- ▶ Review the valuation methodology and techniques to determine whether they are complete, adequate and consistent with appraisal methodology given the circumstances of the property in its market; and
- ▶ Test the journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £48.23 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We will:

- ▶ Liaise with the auditors of Hampshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Havant Borough Council;
- ▶ Assess the work of the Pension Fund actuary (AON Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

What is the risk/area of focus?

Capacity of the Finance Team and faster close

As part of the Council's implementation of the new corporate services contract the finance team has now transferred over to Capita. Furthermore, key staff members of the finance team have left the Council and there has been a high turnover of interim S151 officers. This presents a risk in the Council's ability to deliver the financial statements in line with the accelerated timetable (see below), due to delays in responding to audit queries and the potential impact on the quality of financial information presented for audit.

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements and changes to finance team.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

What will we do?

We will:

- ▶ Monitor the quality and accuracy of the financial statements and supporting working papers that are presented for audit;
- ▶ Hold regular discussions with key officers to ensure that any delays are communicated at an early stage;
- ▶ Identify opportunities to bring our work forward;
- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate;
- ▶ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed;
- ▶ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year;
- ▶ Work with the Council to implement EY Client Portal, this will:
 - ▶ Streamline our audit requests through a reduction of emails and improved means of communication;
 - ▶ Provide on-demand visibility into the status of audit requests and the overall audit status;
 - ▶ Reduce risk of duplicate requests; and
 - ▶ Provide better security of sensitive data.

Audit risks

Other areas of audit focus

What is the risk/area of focus?

Capacity of the Finance Team and faster close (cont...)

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do?

- ▶ Agree the team and timing of each element of our work with you; and
- ▶ Agree the supporting working papers that we require to complete our audit.



03

Value for Money Risks





Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

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

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

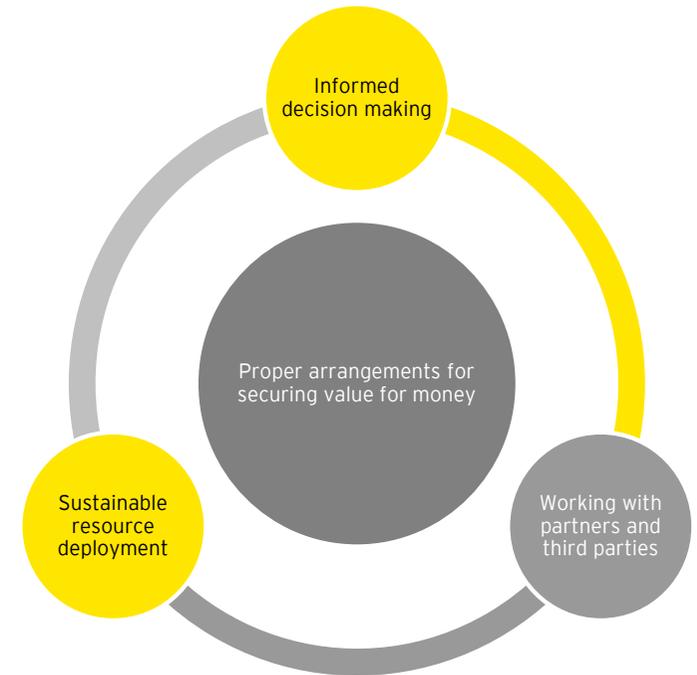
When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risks noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?

Financial sustainability

Like other local government bodies the Council continues to face financial challenges over the medium term. The 2017/18 has seen some unforeseen financial pressures and it is likely a deficit will be reported. The Council has set its 2018/19 budget in the context of a 2.99% increase in council tax. The Council expects to break even in 2018/19, the first year of the Medium Term Financial Strategy (MTFS) with a surplus in 2019/20 and 2020/21 of £219k and £170k respectively but then moves to a deficit position in 2021/22 and 2022/23 of £42k and £248k respectively. Income from commercial enterprises (£988k in 2018/19 rising to £1.26 million in 2022/23) and income from investments (£1.4 million each year over the five year period) are key to achieving the surplus position assumed in the MTFS period and if these targets are not met annually it could result in the Council reporting a deficit in-year or over the MTFS period. If assumptions and investment decisions are not appropriate, the Council may be exposed to increased financial risks, where a small decline in budgeted income from commercial enterprises or income from investments could result in the Council having to draw on its General Fund reserves, which is estimated to hold £2.559 million at the end of the MTFS.

Effective finance leadership is key to manage the medium term outlook and financial sustainability as the reliance on new income streams from commercial ventures increases over the life of the MTFS.

What arrangements does the risk affect?

Deploy resources in a sustainable manner

What will we do?

Our approach will focus on:

- Use of the PSAA's value for money tool to assess the Council's spending against other similar authorities;
- Review and assess the Council's updated assumptions in the 18/19 budget and MTFS, including those relating to commercial enterprises and investment income; and
- Review the Council's outturn for 17/18 to assess the reasonableness of the assumptions and whether any unforeseen financial pressures have been carried forward into the MTFS.



Value for Money Risks

What is the significant value for money risk?

Partnership working - Implementation of the Corporate Services Contracts

In 2016 the Council entered into agreements for Corporate Services Contracts with Capita (Lot 1) and Vinci (Lot 2), as part of the Five Councils Partnership arrangements. These contracts started in 2017/18 at Havant Borough Council. These contracts were designed to generate savings of over £50m for the five Councils across their lifetime of nine years, however, the Councils are now in the process of renegotiating both Lot 1 and Lot 2 due to issues with the way the contracts were constructed and the implications for the practical implementation of them.

Given the likely significant changes to the two contracts there is a risk that both the services and financial performance of the Councils would be negatively impacted if renegotiation results in contracts that are difficult to implement or do not deliver the intended benefits.

What arrangements does the risk affect?

Deploy resources in a sustainable manner/
Work with partners and other third parties

What will we do?

Our approach will focus on:

- ▶ a review of the governance process and contracted terms in place over both Lot 1 and Lot 2 contracts, to ensure that all significant respects, the councils had proper arrangements to achieve sustainable outcomes.
- ▶ reviewing the performance of the corporate service contracts against KPI's to identify whether expected savings are being realised as well as good operational performance being maintained or improved.

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04

Audit materiality

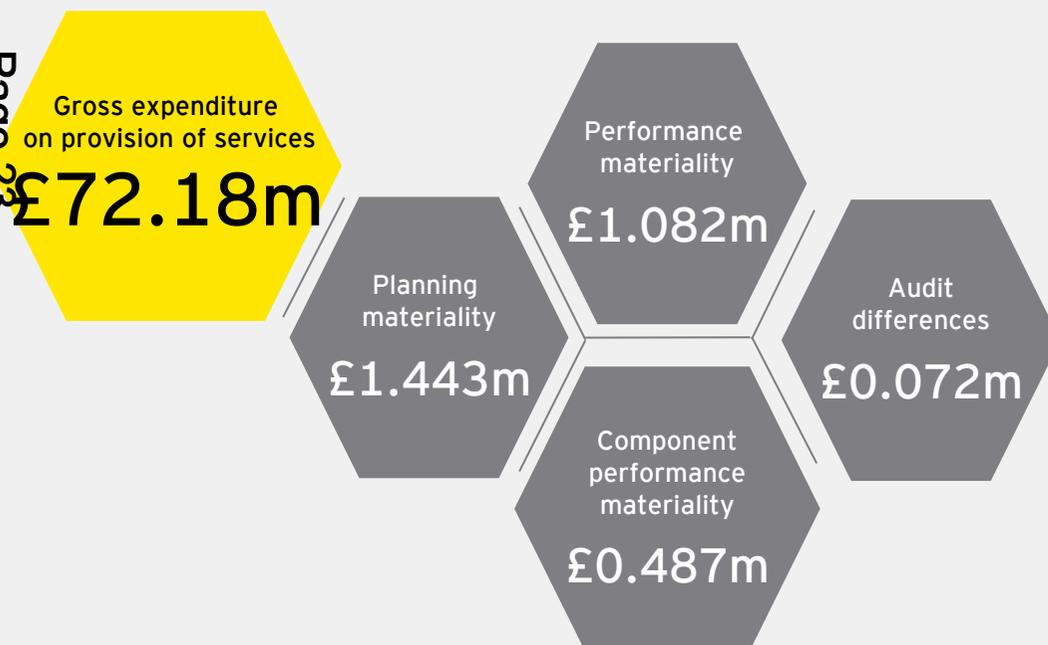


Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £1.443m. This represents 2% of the group's prior year gross revenue expenditure. It will be reassessed throughout the audit process. Group gross revenue expenditure is the most appropriate basis for determining planning materiality for a public sector body and we consider misstatements greater than 2% of group gross revenue expenditure to be material. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. We have provided supplemental information about audit materiality in Appendix C.

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We request that the Governance and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.082m which represents 75% of group planning materiality. There have been few errors in the past and when they have been material has been isolated in nature. The control environment does support the prevention and detection of errors and no material weaknesses have been identified in prior years. In our judgement, the possibility of misstatements exceeding 25% is considered remote.

Component performance materiality range - we determine component performance materiality as a percentage of group performance materiality based on risk and relative size to the Group. We have set component performance materiality at 45% of group performance materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and the collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance and Audit Committee, or are important from a qualitative perspective.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Governance Committee.

Internal audit:

We will meet with Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. The audit of Havant Borough Council's (HBC) accounts and Norse South East's accounts are full scope.

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Group audit team involvement in component audits

Auditing standards require us to be involved in the work of component teams. We have listed our planned involvement below.

| | |
|-------------------------------|--|
| Full scope - Norse South East | Review of work papers relating to the group instructions issued to the component auditors. |
|-------------------------------|--|



06

Audit team



Audit team

The engagement team is lead by Andrew Brittain, who has significant experiences of auditing District Councils and Local Government bodies. Andrew is supported by Jason Jones, who is responsible for the day-to-day direction of audit work and Mahmoud Ullah who is the key point of contact for the finance team and together will ensure that the audit delivers high quality and value to the Council.

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

| Area | Specialists |
|---------------------------------|--------------------|
| Valuation of Land and Buildings | EY Valuations Team |
| Pensions disclosure | EY Actuaries |

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Governance and Audit Committee and we will discuss them with the Governance and Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

| Audit phase | Timetable | Audit committee timetable | Deliverables |
|---|-----------|--------------------------------|--|
| Planning: Risk assessment and setting of scopes. | October | | |
| | November | | |
| Walkthrough of key systems and processes | December | | |
| | January | Governance and Audit Committee | 2016/17 Annual Audit Letter |
| Testing of routine processes Interim audit testing | February | | |
| Testing of routine processes Interim audit testing | March | Governance and Audit Committee | Audit Planning Report |
| | April | | |
| | May | | |
| Year end audit | June | | |
| Year end audit Audit Completion procedures | July | Governance and Audit Committee | Audit Results Report Audit opinions and completion certificates |

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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

| Planning stage | Final stage |
|---|--|
| <p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>The overall assessment of threats and safeguards;</p> <p>Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</p> | <p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p> |

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Andrew Brittain, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

At the time of writing, there are no planned non-audit services.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

| | Planned fee 2017/18 | Scale fee 2017/18 | Final Fee 2016/17 |
|-------------------------------------|------------------------|----------------------|----------------------|
| | £ | £ | £ |
| Total Fee - Code work | 50,763*** | 46,800 | 56,171* |
| Certification of claims and returns | 9,240 | 9,240 | 17,872** |
| Total audit | 60,003 | 56,040 | 74,043 |
| Other non-audit services | - | - | - |
| Total other non-audit services | 0 | 0 | 0 |
| Total fees | 60,003 | 56,040 | 74,043 |

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* *The proposed final fee includes £5,408 in respect of additional work required to gain assurance over the significant risks in respect of the value for money conclusion and £3,963 for the group accounts work in respect of the joint venture with Norse SE. The proposed additional fee is subject to approval by PSAA.*

** *The proposed final fee includes £4,492 in respect of additional work required to review and capture extended testing undertaken due to errors identified during our testing and the impact thereof on the qualification letter. The proposed additional fee is subject to approval by PSAA.*

*** *The proposed planned fee includes £3,963 for the group accounts work in respect of the joint venture with Norse SE.*

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

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

Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Governance and Audit Committee.

| | | |  Our Reporting to you |
|-------------------------------------|---|--|--|
| Required communications |  What is reported? |  When and where | |
| Terms of engagement | Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. | |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. | |
| Planning and audit approach | Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team | Audit planning report | |
| 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 ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process | Audit results report | |

Required communications with the Audit Committee (continued)

| | |  Our Reporting to you |
|-------------------------|---|--|
| Required communications |  What is reported? |  When and where |
| Going concern | <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 | Audit results report |
| Misstatements | <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management | Audit results report |
| Fraud | <ul style="list-style-type: none"> ▶ Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud | Audit results report |
| Related parties | <ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: ▶ 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 |

Required communications with the Audit Committee (continued)

| | | |  Our Reporting to you |
|---------------------------------------|--|--|--|
| Required communications |  What is reported? |  When and where | |
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, 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 | Audit Planning Report and Audit Results Report | |
| Internal 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 | Audit results report | |
| Consideration of laws and regulations | <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 Governance and 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 Governance and Audit Committee may be aware of | Audit results report | |
| Internal controls | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit | Audit results report | |

Appendix B

Required communications with the Audit Committee (continued)

| | | |  Our Reporting to you |
|--|---|--|--|
| Required communications |  What is reported? |   When and where | |
| Representations | Written representations we are requesting from management and/or those charged with governance | Audit results report | |
| Material inconsistencies and misstatements | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit results report | |
| Auditors report | <ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report | Audit results report | |
| Fee Reporting | <ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work | Audit planning report Audit results report | |
| Certification work | Summary of certification work undertaken | Certification report | |

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Governance and Audit **Committee** reporting appropriately addresses matters communicated by us to the Governance and Audit **Committee** and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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NON-EXEMPT

HAVANT BOROUGH COUNCIL

Governance And Audit Committee

14 March 2018

**CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT
2016/17
Ernst & Young**

FOR INFORMATION

Cabinet Lead: Councillor Lulu Bowerman

Key Decision: No

1.0 Purpose of Report

- 1.1 To present the certification of claims and returns annual report for 2016/17.

2.0 Recommendation

- 2.1 That the Committee note the contents of the report

3.0 Summary

- 3.1 The fulfil our responsibilities as your reporting accountant we are required to present formally the paper attached to this report to those charged with governance.

4.0 Reports

4.1 Certification of claims and returns annual report

The purpose of this report is to summarise the results of our work on Havant Borough Council's 2016/17 claims and returns.

5.0 Implications

- 5.1 Resources: No direct implications
- 5.2 Legal: No direct implications
- 5.3 Strategy: No direct implications
- 5.4 Risks: No direct implications

5.5 Communications: No direct implications

5.6 For the Community: No direct implications

6.0 Consultation: Chief Financial Officer

Agreed and signed off for publication by:

Head of Service: 27/02/18

Head of Finance: 27/02/18

Head of Legal: 28/02/18

Contact Officer: Jason Jones
Job Title: Audit Manager
Telephone: jjones9@uk.ey.com
E-Mail: 02380 382231

Certification of claims and returns annual report 2016-17

Havant Borough Council

December 2017

Ernst & Young LLP



Building a better
working world

The Members of the Governance and Audit Committee
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

11 December 2017
Ref: HBC/claims/2016-17

Direct line: 07976 515115
Email: abrittain@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Havant Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Havant Borough Council's 2016-17 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £32,237,350. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

We have made one recommendations this year, set out in section 4.



We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee meeting on 7 March 2018.

Yours faithfully

Andrew Brittain
Associate Partner
Ernst & Young LLP
Enc

Contents

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| 2. 2016-17 certification fees..... | 3 |
| 3. Looking forward..... | 4 |
| 4. Summary of recommendations..... | 5 |

1. Housing benefits subsidy claim

| Scope of work | Results |
|--|--|
| Value of claim presented for certification | £32,237,898 |
| Amended/Not amended | Amended – subsidy decreased by £548 |
| Qualification letter | Yes |
| Fee – 2016-17 | £17,872 |
| Fee – 2015-16 | £9,240 |
| Recommendations from 2015-16 | Findings in 2016-17 |
| None | Errors were found in income assessments when determining benefit entitlement. Further details of these findings are included in section 4. |

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

Non-HRA rent rebates

Our initial testing identified two cases where income assessments were incorrect. There was both an overpayment and an underpayment of £3.20. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. As this was a small population all cases were checked and a further error was identified amounting to £15.06.

No adjustments to the claim have been made in respect of these findings within the 2016-17 subsidy claim.

Our initial testing also identified one case where the Council had incorrectly classified a claimant as passported. In addition, the authority has not updated the income for this period due to more recent payslips being received (this update would not have been expected as claimant was passported). As the applicable amounts are greater than the income, there is no effect on subsidy. Our extended testing identified three further errors. These had no subsidy impact and so they have not been included within the qualification for cell adjustment purposes since no error in subsidy has been noted.

Rent allowances

Our initial testing identified one error as a result of an incorrect manual override relating to a claimant that had been living with a boarder for part of the year but benefit had been paid on this basis for the full year which resulted in an overpayment of £658.58. As a result the Council undertook extended testing which we reviewed. The extended testing did not identify any further errors.

We extrapolated the overall value of errors which resulted in the overpayment of benefit. The total extrapolated value of errors was £980.80. No adjustments were made to the claim in respect of this issue.

Rent allowances modified schemes

We identified one case where benefit had been underpaid as a result of errors in war pension calculations amounting to £327.79 in total. Although the Council had introduced new earnings assessment forms to improve the accuracy of income recording, this did not mitigate in entirety this error from occurring and therefore provided limited assurance that the issue would not reoccur in the 2016-17 claim.

Although an underpayment was noted, the error could have easily resulted in overpayment and so extended testing was required. The Council undertook extended testing which we reviewed. As this was a small population all cases were checked and a further error was identified where an earnings error resulted in overpayment of benefit (total value £169). No adjustments were made to the claim in respect of these issues.

Rent allowances misclassification of overpayments

We identified one case where the incorrect rent rate had been applied relating to the number of children. This should not have been considered an eligible overpayment as payment was made after the relevant information had been received by the Council (total value £91.89). As a result the Council undertook extended testing which we reviewed. The extended testing identified one further error where the incorrect rent rate had been applied relating to a change in eligible rent (total value £38.52).

We extrapolated the overall value of errors which resulted in the overpayment of benefit. The total extrapolated value of errors was £367.04. No adjustments were made to the claim in respect of these issues.

2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website (www.psa.co.uk).

| Claim or return | 2016-17 | 2016-17 | 2015-16 |
|--------------------------------|-----------------|---------------------|-----------------|
| | Actual fee £ | Indicative fee £ | Actual fee £ |
| Housing benefits subsidy claim | 17,872 | 13,380 | 9,240 |

The proposed final fee includes £4,492 in respect of additional work required to review and capture extended testing undertaken due to errors identified during our testing and the impact thereof on the qualification letter. We carried out five sets of extended testing in 2016-17, compared to two sets of extended testing in 2014-15, which is the year from which the indicative fee for 2016-17 was set by PSAA. The proposed additional fee is subject to approval by the PSAA.

3. Looking forward

2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £9,240. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

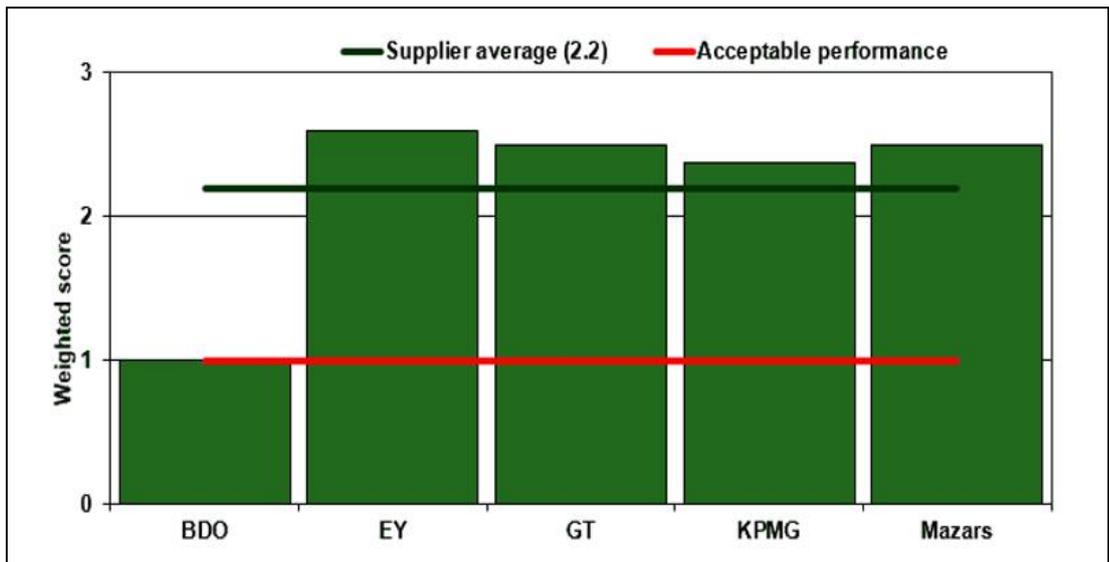
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Financial Officer before seeking any such variation.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

| Recommendation | Priority | Agreed action and comment | Deadline | Responsible officer |
|--|----------|---------------------------|-----------------------|------------------------------|
| Ensure that income is consistently assessed correctly in the determination of benefit entitlement and that the assessment made is supported by sufficient and appropriate evidence. Specifically through the utilisation of the new earnings assessment forms introduced in 2016-17 which are meant to improve accuracy of income recording. | Medium | Agreed | With immediate effect | Revenue and Benefits Manager |

EY | Assurance | Tax | Transactions | Advisory

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NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

14 March 2018

INTERNAL AUDIT PROGRESS REPORT 2017-18 (February 2018)

Head of Southern Internal Audit Partnership

ITEM NO 7

FOR DECISION

Key Decision: No

1.0 Purpose of Report

- 1.1 The purpose of this paper is to provide the Governance and Audit Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

2.0 Recommendation

- 2.1 That the Governance and Audit Committee note the Internal Audit Progress Report (February 2018) as attached.

3.0 Summary

- 3.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 3.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Governance and Audit Committee, summarising:

'communications on the internal audit activity's performance relative to its plan.'

3.3 Appendix 1 summarises the performance of Internal Audit for 2017-18.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a

5.0 Consultation

5.1 The report has been discussed and noted by the Management Team who met at the Executive Board on 22 February 2018.

Appendices:

Appendix 1 – Internal Audit Progress Report 2017-18

Agreed and signed off by:

Legal Services: Lydia Morrison 27/02/18

Finance: Lydia Morrison 27/02/18

Contact Officer: Neil Pitman
Job Title: Head of Southern Internal Audit Partnership
Telephone: 01962 845139
E-Mail: neil.pitman@hants.gov.uk

Internal Audit Progress Report

February 2018

Havant Borough Council



**Southern Internal
Audit Partnership**

Contents:

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards - updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

2. Purpose of report

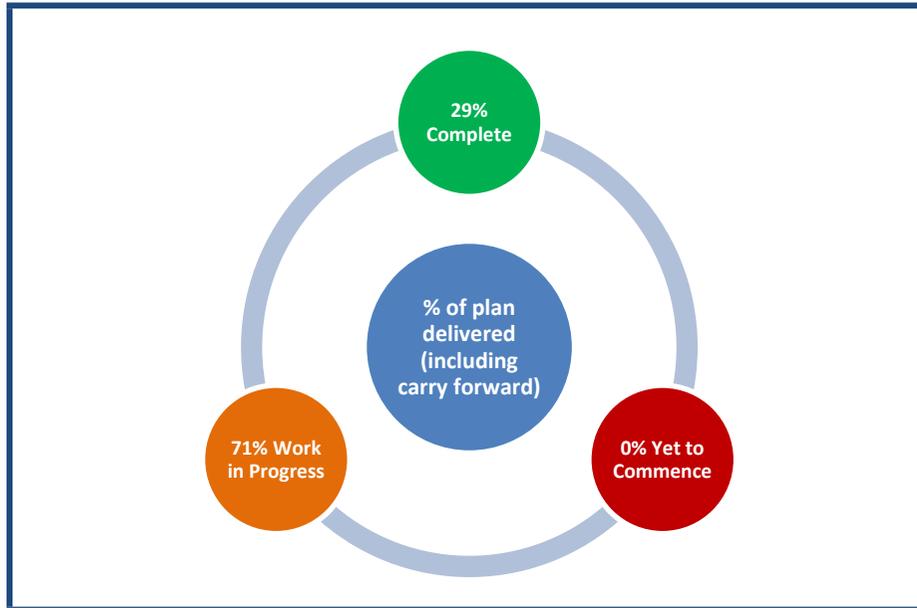
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

| | |
|--------------------|--|
| Substantial | A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified |
| Adequate | Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified |
| Limited | Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk |
| No | Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives |

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

In accordance with PSIAS, a further self assessment was completed in April 2017 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Status of 'Live' Reports

| Audit Review | Report Date | Audit Sponsor | Assurance Opinion | Management Actions ('High Priority') | | | | |
|--|-------------|---------------|-------------------|--------------------------------------|--------------|---------|---------|---------|
| | | | | Reported | Not Accepted | Pending | Cleared | Overdue |
| Insurance | 01/04/16 | HoF | Adequate | 2 (0) | 0 (0) | 0 (0) | 1 (0) | 1 (0) |
| Local Government Transparency Code 2015 | 06/05/16 | HoF | Adequate | 7 (3) | 0 (0) | 3 (1) | 4 (2) | 0 (0) |
| Procurement | 13/10/16 | HoPRQ | Adequate | 5 (3) | 0 (0) | 0 (0) | 3 (3) | 2 (0) |
| Accounts Payable | 11/01/17 | HoF | Adequate | 3 (0) | 0 (0) | 1 (0) | 2 (0) | 0 (0) |
| Business Continuity Planning / Disaster Recovery | 30/01/17 | HoOD | Adequate | 9 (1) | 0 (0) | 1 (1) | 5 (0) | 2 (0) |
| Health and Safety | 06/03/17 | HoOD | Adequate | 4 (0) | 0 (0) | 1 (0) | 3 (0) | 0 (0) |
| Information Governance | 26/04/17 | HoPRQ | Limited | 19 (7) | 0 (0) | 8 (0) | 11 (7) | 0 (0) |
| Main Accounting | 27/04/17 | HoF | Substantial | 1 (0) | 0 (0) | 1 (0) | 0 (0) | 0 (0) |
| Developers Obligations and Contributions / Community Infrastructure Levy (CIL) | 15/06/17 | HoP | Adequate | 9 (5) | 0 (0) | 1 (0) | 6 (5) | 2 (0) |
| Norse South East – Governance Arrangements | 19/06/17 | HoSC | Adequate | 3 (0) | 0 (0) | 1 (0) | 2 (0) | 0 (0) |
| Risk Management | 26/06/17 | HoCS | Adequate | 3 (0) | 0 (0) | 1 (0) | 0 (0) | 2 (0) |
| Proactive Fraud Initiatives (Mobile Devices) | 12/12/17 | HoPRQ | Adequate | 6 (0) | 0 (0) | 6 (0) | 0 (0) | 0 (0) |

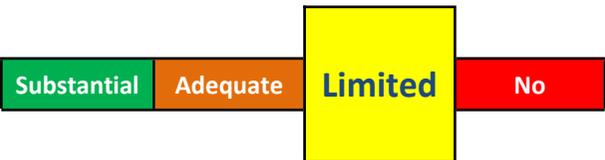
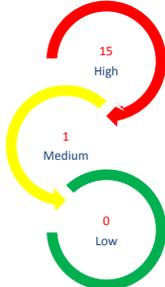
| Audit Review | Report Date | Audit Sponsor | Assurance Opinion | Management Actions ('High Priority') | | | | |
|--|-------------|---------------|-------------------|--------------------------------------|--------------|---------|---------|---------|
| | | | | Reported | Not Accepted | Pending | Cleared | Overdue |
| NNDR | 08/01/18 | HoCS | Adequate | 2 (0) | 0 (0) | 0 (0) | 0 (0) | 2 (0) |
| Governance Arrangements (6 Council Transition) | 24/01/18 | HoSC | Limited | 16 (15) | 0 (0) | 2 (1) | 14 (14) | 0 (0) |

*denotes audits where all actions have been completed since the last progress report

| Audit Sponsor | |
|--|-------|
| Head of Organisational Development | HoOD |
| Head of Customer Services | HoCS |
| Head of Finance | HoF |
| Head of Programmes, Redesign and Quality | HoPRQ |
| Head of Research and Marketing | HoRM |
| Head of Planning | HoP |
| Head of Neighbourhood Support | HoNS |
| Head of Coastal Partnership | HoCP |

| Audit Sponsor | |
|---------------------------------|------|
| Head of Development | HoD |
| Head of Strategic Commissioning | HoSC |
| Head of Property Services | HoPS |

5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

| Governance Arrangements (Six Council Transition) | | |
|--|---|--|
| <p>Directorate Sponsor: Gill Kneller – Executive Director (Commercial)</p> <p>Key Contacts: Claire Hughes - Head of Strategic Commissioning</p> <p>Final Report Issued: 24/01/2018</p> | <p>Assurance opinion:</p>  | <p>Management Actions:</p>  |
| <p>Summary of key observations: A governance framework to oversee the transition to Capita was agreed in May 2017 following recognition that the existing framework, whilst sufficient to oversee the wider six council’s programme did not give appropriate oversight and management for the internal preparation work that needed to be done for transition of Havant Borough Council (HBC) and East Hampshire District Council (EHDC) services. However, it had not had time to fully embed and was introduced late in the programme timeline.</p> | | |

The new framework introduced oversight arrangements, in the form of a programme board, outlined reporting lines and roles and responsibilities for the board (but not for individual project management) and provided templates for programme documentation. The new framework required some improvement, particularly in relation to the transparency of key decisions through the introduction of a decision log.

Transformation Project Managers had been assigned to each project to assist with delivery and, at the time of the review, had been engaged in helping to identify gaps in the contract provision rather than planning for transition and managing projects.

We reviewed how the framework was operating in practice and found some key opportunities for improvement. The format of the information that was gathered from projects and presented to Programme Board lacked the clarity and timeliness required to enable the Board to have a complete and accurate view of the status of all aspects of the programme and to make fully informed decisions. Delays were found in assessing emerging risks and deciding which need to be reviewed by the Programme Board. The timescales of the programme are such that actions to address concerns should be put in place quickly.

A clear action plan was developed to address the issues identified. Significant progress has already been made with the majority of actions already implemented; the target date to complete residual actions is March 2018. A follow up review has been included in the proposed annual audit plan for 2018-19.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

| Local Government Transparency Code 2015 | 01.04.17 – 31.01.18 |
|--|---------------------|
| Part 2 Requirements - Fraud | |
| Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used | Nil |
| Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud | 2 fte* |
| Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists | 4 fte* |
| Total amount of time spent by the authority on the investigation and prosecution of fraud | 23 days*** |
| Total number of fraud cases investigated | 0** |

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'*

***relates to SIAP staff only and includes time spent on proactive fraud initiatives to identify or prevent potential fraud that may not result in a formal investigation or prosecution.

7. Planning & Resourcing

The internal audit plan for 2017-18 was discussed by the Executive Board on 02 February 2017 and approved by the Governance and Audit Committee on 08 March 2017.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8.

8. Rolling Work Programme

| Audit Review | Audit Sponsor | Scoping | Audit Outline Issued | Fieldwork | Draft Report Issued | Final Report Issued | Assurance Opinion | Tracker (✓ on schedule ✗ Delay) | Comment |
|---|---------------|---------|----------------------|-----------|---------------------|---------------------|-------------------|---------------------------------------|---------|
| 2017-18 Reviews | | | | | | | | | |
| Six Council Partnership | | | | | | | | | |
| Governance Arrangements (6 Council Transition)*1 | HoSC | ✓ | ✓ | ✓ | ✓ | ✓ | Limited | ✓ | |
| Performance Management *1 | HoPRQ | ✓ | ✓ | ✓ | | | | ✓ | |
| Human Resources *1 | HoOD | ✓ | ✓ | ✓ | | | | ✓ | |
| Six Council Partnership – Core Financial Systems (Migrating Systems) | | | | | | | | | |
| Accounts Payable *1 | HoF | ✓ | ✓ | ✓ | | | | ✓ | |

| Audit Review | Audit Sponsor | Scoping | Audit Outline Issued | Fieldwork | Draft Report Issued | Final Report Issued | Assurance Opinion | Tracker (✓ on schedule ✗ Delay) | Comment |
|---|---------------|---------|----------------------|-----------|---------------------|---------------------|-------------------|---------------------------------------|---------------|
| Accounts Receivable / Debt Management *1 | HoF | ✓ | ✓ | ✓ | | | | ✓ | |
| Main Accounting *1 | HoF | ✓ | ✓ | ✓ | | | | ✓ | |
| Treasury Management *1 | HoF | ✓ | ✓ | ✓ | | | | ✓ | |
| Payroll *1 | HoF | ✓ | ✓ | ✓ | | | | ✓ | |
| Management Reporting *1 | HoF | ✓ | ✓ | ✓ | | | | ✓ | |
| Financial Service Transfer (CAPITA)* | HoF | ✓ | ✓ | ✓ | n/a | n/a | n/a | ✓ | Advisory role |
| Finance System Data Migration* | HoF | ✓ | ✓ | ✓ | | | | ✓ | |
| Six Council Partnership – Core Financial Systems (Business as usual) | | | | | | | | | |
| Income Collection and Banking | HoCS | ✓ | ✓ | ✓ | | | | ✓ | |
| Council Tax | HoCS | ✓ | ✓ | ✓ | | | | ✓ | |
| NNDR | HoCS | ✓ | ✓ | ✓ | ✓ | ✓ | Adequate | ✓ | |
| Six Council Partnership - ICT | | | | | | | | | |

| Audit Review | Audit Sponsor | Scoping | Audit Outline Issued | Fieldwork | Draft Report Issued | Final Report Issued | Assurance Opinion | Tracker (✓ on schedule ✗ Delay) | Comment |
|--|---------------|---------|----------------------|-----------|---------------------|---------------------|-------------------|---------------------------------------|---------|
| ICT Provider Transfer *1 | HoPRQ | ✓ | ✓ | ✓ | | | | ✓ | |
| Strategic Objectives | | | | | | | | | |
| Strategic Planning | HoOD | ✓ | ✓ | ✓ | ✓ | | | ✓ | |
| Commercial Property Investments | HoPS | ✓ | ✓ | ✓ | | | | ✓ | |
| New Homes Bonus | HoP | ✓ | ✓ | ✓ | | | | ✓ | |
| Corporate governance | | | | | | | | | |
| CIPFA/Tecaff Fraud Survey | HoF | ✓ | n/a | ✓ | n/a | ✓ | n/a | ✓ | |
| Proactive Fraud Initiatives (Mobile Devices) | HoF | ✓ | N/A | ✓ | ✓ | ✓ | Adequate | ✓ | |
| Proactive Fraud Initiatives (Training) | HoF | ✓ | N/A | ✓ | n/a | n/a | n/a | ✓ | |
| National Fraud Initiative (NFI) | HoF | N/A | N/A | ✓ | | | | ✓ | |
| Information Governance | HoPRQ | ✓ | ✓ | ✓ | | | | ✓ | |
| Business As Usual | | | | | | | | | |
| Planning Development / Fee Income | HoP | ✓ | ✓ | ✓ | ✓ | ✓ | Adequate | ✓ | |

| Audit Review | Audit Sponsor | Scoping | Audit Outline Issued | Fieldwork | Draft Report Issued | Final Report Issued | Assurance Opinion | Tracker (✓ on schedule ✗ Delay) | Comment |
|---|---------------|---------|----------------------|-----------|---------------------|---------------------|---------------------------|---------------------------------------|---------|
| Norse South East – Governance and Performance | HoSC | ✓ | ✓ | ✓ | | | | ✓ | |
| Norse South East – Assurance Mapping | HoSC | ✓ | n/a | n/a | | | | ✓ | |
| Norse South East – Business Continuity | HoSC | ✓ | ✓ | ✓ | | | | ✓ | |
| BSOG – Grant Certification | HOF | n/a | n/a | ✓ | n/a | n/a | n/a – grant certification | ✓ | |

*1 - Reviews related to the Six Council Partnership that will cover HBC and EHDC, which are included in both Councils' audit plans.

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

14 March 2018

INTERNAL AUDIT PLAN AND FRAUD & CORRUPTION RISK PLAN 2018-19

Head of Southern Internal Audit Partnership

ITEM NO 8

FOR DECISION

Key Decision: No

1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Governance and Audit Committee with the Internal Audit Plan 2018-19 (Appendix 1), incorporating the Fraud and Corruption Risk Plan 2018-19 (Appendix 2) for Havant Borough Council.

1.2 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- The framework of internal control, risk management and governance is appropriate and operating effectively; and
- Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

2.0 Recommendation

2.1 That the Governance and Audit Committee approve the Internal Audit Plan 2018-19 and the Fraud & Corruption Risk Plan 2018-19.

3.0 Summary

3.1 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

3.2 To ensure the Internal Audit Plan is aligned to the needs of the Council, the plan has been developed following consultation with the Executive Board and Heads of Service. A review of key documents including the Corporate Strategy and Corporate Risk Register, and our understanding of the

organisation and key priorities for 2018-19, have underpinned the development of the plan.

3.3 The plan includes a framework for the provision of both reactive and proactive initiatives to detect fraud and corruption and/or demonstrate that fraud has not taken place. The Fraud and Corruption Risk Plan (Appendix 2) complements the Internal Audit Strategy and Plan, focussing resource against assessed fraud risks, in addition to new and emerging threats.

3.4 The Internal Audit Plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Chief Internal Auditor's continued contact and liaison with those responsible for the governance of the Council.

3.5 The Council's 'internal audit charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion. Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Management Team.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):
n/a

5.0 Consultation

5.1 The report has been discussed and noted by the Management Team who met at the Executive Board on 22 February 2018.

Appendices:

Appendix 1 – Internal Audit Plan 2018-19

Appendix 2 – Fraud and Corruption Risk Plan 2018-19

Agreed and signed off by:

Legal Services: Lydia Morrison 27/02/18

Finance: Lydia Morrison 27/02/18

Contact Officer: Neil Pitman
Job Title: Head of Southern Internal Audit Partnership
Telephone: 01962 845139
E-Mail: neil.pitman@hants.gov.uk

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Internal Audit Plan

2018-19

Havant Borough Council



Southern Internal Audit Partnership



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Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems and processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Heads of Service and Executive Board, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Neil Pitman, Head of Southern Internal Audit Partnership, supported by Antony Harvey, Strategic Lead and Amanda Chalmers, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

Considering all sources of evidence the external assessment team concluded:

*It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of these principles. **This performance is within the top 5%ile of EQA reviews we have performed.** This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.*

*There are **no instances** across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.’*

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Council Vision

The 'Corporate Strategy' outlines Havant Borough Council's vision for 2020 and is defined in the context of the following themes:

| Economy | Environment | Society | Organisation |
|--|---|---|--|
| What businesses will operate in our area, who will work for them and what skills will they have? | What will the environment look like and how will it be cared for? | <p>How will society operate in the future and how will it have changed?</p> <p>How will we shape services to meet local customer needs?</p> | How will we work with partners and communities to ensure that we are sustainable and able to deliver vital services? |

Council Risk

The Council have a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

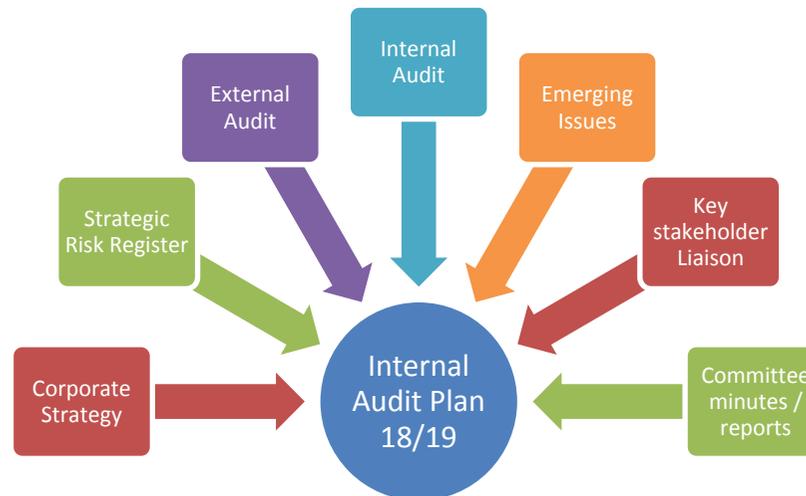
Developing the internal audit plan 2018/19

We have used various sources of information and discussed priorities for internal audit with the Executive Board, Head of Service and the Governance and Audit Committee.

Based on these conversations with key stakeholders, review of key corporate documents including the Council Strategy and Risk Register, and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the coming year. The audit plan reflects the Council's vision and strategies for example its strategy to commission services, with several audits specifically linked to the 6-Council's Corporate Services Contract, procurement and contract management.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is maintained.



Internal Audit Plan 2018-19

| Audit | Risk | Scope |
|--|---|--|
| Corporate / Cross Cutting | | |
| *Partnership Management (Client Relationship Team) | Working with other organisations / cultures. Potential for some loss of control / ownership. Deliverables not achieved / benefits not realised. Loss of service provision. | Review of the overall governance framework for the partnership and contract management arrangements delivered by the Client Relationship Team. |
| Strategic Planning (Fit for Future) | Workforce unable to adapt to new working practices / working with other organisations / cultures. | Review how the Council has prepared for transformational change in culture / working practices, and whether the outcomes of the Fit for Future Project have been achieved. |
| Human Resources | Ineffective HR service post transfer. Financial and reputational loss. | Review of the HR service provision post transfer. |
| Risk Management | Failure to deliver strategy / inability to identify, evaluate and manage risks effectively. | Review of the risk management framework of the Council. |
| Commercial Activities | Failure to achieve returns in order to offset the loss of Government Grant. Non-achievement of strategy due to insufficient skills and poor decision making. | Governance and control frameworks to support HBC's commercial activities including the arrangements for identifying, monitoring and managing trading activities. |
| Partnership Management (Horizon Leisure Trust) | Failure to achieve strategic objectives / delivery of community facilities. | Governance and control framework to support the effective management of Leisure Centres. |
| Contract Management Arrangements | Working with other organisations / cultures. Potential for some loss of control / ownership. | Review arrangements with contractor's / third parties, specifically in relation to Business Continuity, Health & Safety and compliance with the new General Data |

| Audit | Risk | Scope |
|-----------------------------------|---|--|
| | Deliverables not achieved / benefits not realised. Loss of service provision. | Protection Regulations. |
| *Procurement | Working with other organisations / cultures. Potential for some loss of control / ownership. Deliverables not achieved / value for money. | Review of contract arrangements for delivery of procurement through CAPITA, and whether contractual arrangements are complied with. |
| *Insurance | Working with other organisations / cultures. Potential for some loss of control / ownership. Loss of service provision. | Review of Insurance service provision post transfer. |
| Corporate Governance | | |
| Fraud & Irregularities | Ineffective procedures to detect / mitigate fraud and irregularity or to promote a zero tolerance culture. | To operated in line with the proposed Fraud & Irregularity Business Plan <ul style="list-style-type: none"> • Proactive • Reactive • NFI • CIPFA Survey. |
| Information Governance | Non compliance with legislative requirements (DPA, FOI, Transparency etc.) exposure to reputational / financial risk. | Compliance with General Data Protection Regulation (GDPR) introduced in May 2018. |
| *6-Council's Governance Framework | Ineffective programme management, delay in services and systems transferring to CAPITA. | Follow up on review on the effectiveness of the governance framework established to manage the transition programme for the Corporate Resources Contract (with CAPITA) |
| Financial Management | | |
| *Accounts Payable | Cyclical coverage of core financial systems to meet external audit / regulatory requirement | All core financial systems moved to CAPITA in 2017-18. Review will cover key controls for Integra (financial management system) introduced in |

| Audit | Risk | Scope |
|---|---|---|
| *Accounts Receivable / Debt Management | and management concerns. | 2018, once Target Operating Model has been achieved. |
| *Main Accounting | Coverage in 2018-19 to include the Integra system introduced as part of contract with CAPITA. | |
| *Financial Planning / Budgetary Control | | |
| *Payroll | Ineffective Payroll service post transfer. Financial and reputational loss. | Review of the Payroll service provision post transfer. |
| *Benefits | Ineffective Benefits service. Cyclical coverage of core financial systems to meet external audit / regulatory requirement, and management concerns. | Review of benefits service following move to Academy. |
| Overtime & Expenses | Workforce unable to adapt to new working practices / working with other organisations / cultures. Reductions in expenditure not realised. | Review of controls and processes for authorising and monitoring overtime and expense claims. |
| De-Commissioning of Civica Financials | Compliance with statutory requirements / retention of financial records. | Review controls and processes for de-commission Civica Financials. |
| Information Technology | | |
| *ICT Provision | Change of IT provider in 2017/18 Failure to meet performance standards or provide statutory services. | Review will cover IT elements delivered through the Corporate Services Contract with CAPITA e.g. security systems, back-up arrangements, access controls. |

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| Audit | Risk | Scope |
|-----------------------------|---|---|
| Corporate Objectives | | |
| Land Charges | Change of provider in 2017/18 Failure to meet performance standards or provide statutory services. | Review of controls and processes for delivery of the Land Charges service. |
| Private Sector Housing | Poor private sector housing standards / reputational loss. | Review of health & safety / houses of multiple occupancy inspection process. |
| Traffic Management | Compliance with regulations / reputational and financial loss | Review of processes operating within Traffic Management team relating to road safety projects. |
| Regeneration | Failure to deliver strategy / reputational loss. | Review of the governance framework supporting the achievement of the Council's regeneration objectives. |
| Other | | |
| VAWAG | Grant conditions not met / financial loss | Grant certification |
| Management | Planning, liaison, reporting, audit committee, external audit, advice. | |
| Total Days | | 380 |

*1 Reviews related to the Six Council Partnership that will cover HBC and EHDC, which are included in both Council's audit plans.

Fraud Plan

2018-19

Havant Borough Council

Havant
BOROUGH COUNCIL

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Forward

Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

Published in October 2014, the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.

It is these principles that underpin the Southern Internal Audit Partnership’s approach to support the management of the risk of fraud and corruption within Havant Borough Council.



Havant Borough Council promotes a zero tolerance culture to fraud and corruption:

*‘The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside of the Council...’
(HBC - Anti Fraud & Corruption Policy)*

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti Fraud & Corruption Policy; Anti Fraud & Corruption Response Plan; Whistleblowing Policy; Anti Bribery Policy and Anti Money Laundering Policy). This document provides an extension to the Council’s existing policies affording a framework of reactive and proactive initiatives to detect fraud and/ or demonstrate assurance that fraud has not taken place.

The Fraud Plan compliments the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

2. The Changing Face of Fraud

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government. The principles of the required approach are outlined in (fig 1).



fig 1 (Fighting Fraud & Corruption Locally – The local government counter fraud & corruption strategy)

These principles are underpinned by demonstrable regard to:



3. Reactive Fraud Activity

The Southern Internal Audit Partnership will work with Havant Borough Council in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews will be undertaken by professionally accredited (CIPFA CCIP) staff, in accordance with the Council's Anti Fraud & Corruption Policy and Response Plan.

By its nature such reactive fraud and irregularity work is unpredictable with regard its level and duration. Recent history has demonstrated low levels of required activity in respect of reactive fraud work in Havant Borough Council, however, a contingent level of capacity for such eventualities is considered prudent.

4. Proactive Approach

Whilst the established process to reactive fraud assists the Council in appropriately responding to notified incidents or suspicions of fraud and irregularity, it is equally important to ensure proactive initiatives are appropriately explored to understand, prevent and detect fraud risks across the organisation.

Such proactive measures have been designed alongside the themes outlined within the 'Six Cs' (culture, capability, capacity, competence, communication and collaboration) and are mapped within Appendix 1.

The Southern Internal Audit Partnerships understanding of Havant Borough Council's service activities coupled with research from national surveys / publications and benchmarking with other local authority fraud risks have highlighted a list of areas for consideration as part of our proactive fraud activities for 2018-19 (Appendix 2).

It is also recognised that 2018 is a National Fraud Initiative upload year and as such the Southern Internal Audit Partnership will be facilitating this process to ensure that the October 2018 deadline for submission of data is achieved. Resulting matches from the exercise will be available from January 2019.

5. Fraud Action Plan 2018-19

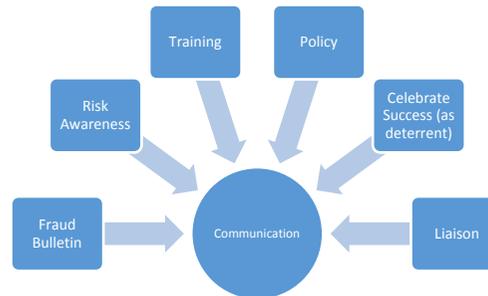
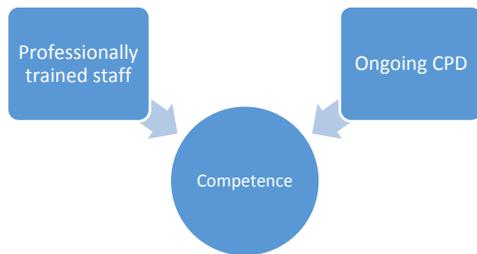
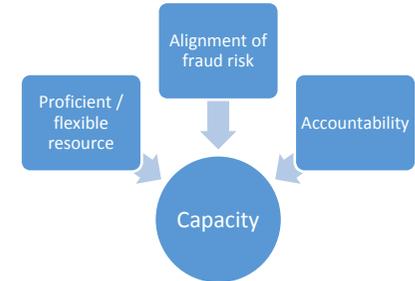
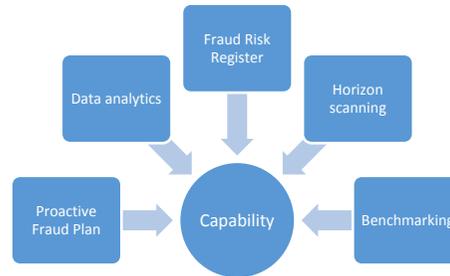
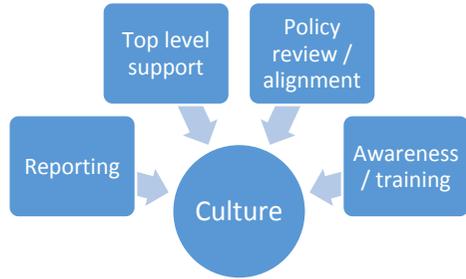
Many of the aspects contributing to an effective proactive approach to fraud risk management are implicit within the Southern Internal Audit Partnership’s established processes to which Havant Borough Council are a part. This is demonstrated through our dedicated and qualified fraud team, the tools to which they have access and participation in national and local collaboration groups. Building on intelligence from such collaboration and through discussion with Senior Management the following action plan of proactive fraud activity is proposed for 2018-19.

| Activity | Scope | Responsible Officer | Expected Outcome |
|--|--|----------------------------------|--|
| National Fraud Initiative | To facilitate the timely delivery of the upload NFI 2018 data and review of residual 2017 matches. | Iona Bond, Audit Manager (Fraud) | Compliant upload of data and receipt of matches (Jan / Feb 2019) |
| Blue Badge Fraud | Blue Badge fraud has proved one of the most common fraud types nationally. Scope will focus on the effectiveness of due diligence in the administration of blue badge applications, renewals and ongoing monitoring. | Iona Bond, Audit Manager (Fraud) | To provide assurance over the robustness of due diligence checks and controls to mitigate blue badge prevention as opposed to reliance on retrospective detection. |
| Training & Awareness | Develop an effective fraud awareness training programme for Members and Officers | Iona Bond, Audit Manager (Fraud) | Delivery of an agreed stream of training in accordance with organisational priorities. Potential themes include Bribery Act & Cyber |
| Annual Report on Fraud & Irregularity | To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives. | Iona Bond, Audit Manager (Fraud) | To present a report to CMT and Governance & Audit Committee outlining progress against the ‘Fraud Action Plan 2018-19’ relaying outcomes, assurance, investigations, sanctions, savings etc. as appropriate. |

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Six C's – Matrix

Annex A



Key Fraud Risks relevant to HBC – National Survey

(Fighting Fraud & Corruption Locally 2016-19 / CIPFA, Fraud & Corruption Tracker 2017 / Mazars, Horizon Scanning – Challenges & Opportunities – Dec 2017)

| Fraud Risk Area | Overview |
|------------------------------------|--|
| Council Tax Fraud | Validity of discounts awarded including Single Person Discounts and property exemptions |
| National Non Domestic Rates | Validity of exemptions (including small business and charitable), empty properties and extensions |
| Procurement Fraud | Vulnerabilities through price fixing, bid rigging, double invoicing. |
| Blue Badge Fraud | Use of counterfeit / altered badges, use when disabled person not in the vehicle, use of deceased persons badge, badges issued but misused by institutions |
| Internal Fraud | Allowance / expense claims, misuse of time / resources, conflicts of interest, inappropriate acceptance of gifts & hospitality, manipulation of key systems i.e. payroll, pre-employment fraud, abuse of position etc. |
| Insurance Fraud | Fictitious claims, including slips and trips |
| Disabled Facility Grants | Adaptions to homes other than those to which grant is entitled |
| Cyber and e-enabled fraud | Payment authorisation requests / BACS transfer requests from unsolicited sources, ransom mail etc. |
| Mandate Fraud | Manipulation of vendor bank details (internal or external) |

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

14 March 2018

INTERNAL AUDIT CHARTER 2018/19

Head of Southern Internal Audit Partnership

ITEM NO 9

FOR DECISION

Key Decision: No

1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Governance and Audit Committee with the Internal Audit Charter for 2018/19.

1.2 The Internal Audit Charter formally defines the internal audit activity's purpose, authority and responsibility in line with the Public Sector Internal Auditing Standards [the Standards].

2.0 Recommendation

2.1 That the Governance and Audit Committee approve the Internal Audit Charter for 2018/19.

3.0 Summary

3.1 With effect from 1 April 2013 internal audit services across the public sector have been governed by the Public Sector Internal Audit Standards (the Standards).

3.2 Within the Standards there is a requirement for an Internal Audit Charter - a formal document that defines the purpose, authority and responsibility of the internal audit activity. The proposed charter is attached at Appendix 1.

3.3 The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board'. The Board is defined as

'the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Governance and Audit Committee'.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a.

5.0 Consultation

5.1 The report has been discussed and approved by the Management Team who met at the Executive Board on 22 February 2018.

Appendices:

Appendix 1 – Internal Audit Charter

Agreed and signed off by:

Legal Services: Lydia Morrison 27/02/18

Finance: Lydia Morrison 27/02/18

Contact Officer: Neil Pitman
Job Title: Head of Southern Internal Audit Partnership
Telephone: 01962 845139
E-Mail: neil.pitman@hants.gov.uk

Appendix 1

Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

Purpose

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The role of internal audit is best summarised through its definition within the Standards, as an:

'independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Havant Borough Council lies with the authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and *'the Standards'*.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Governance and Audit Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Executive Board.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Chief Finance Officer (S151 Officer) who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Governance and Audit Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (Chartered Member of the Institute of Internal Auditors - CMIIA, Consultative Committee of Accountancy Bodies - CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Chief Finance Officer (S151 Officer) will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'*Senior Management*' and '*the Board*' will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to '*Senior Management*' and '*the Board*', for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to '*Senior Management*' and '*the Board*'.

If the Chief Internal Auditor, '*the Board*' or '*Senior Management*' consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Chief Finance Officer (S151 Officer) accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to *'Senior Management'* and *'the Board'*;
- reports functionally to *'the Board'*;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognise and address potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Board'*. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and *'the Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor in accordance with the Council's laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal

or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the Southern Internal Audit Partnership. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisations success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor. The Chief Internal Auditor manages and controls all investigations and will ensure that investigators are fully trained in carrying out their responsibilities.

Where there is evidence that Council staff are committing fraud, internal audit will liaise with Human Resources and the department concerned. The decision on whether to invoke criminal proceedings will be made by the Chief Internal Auditor in conjunction with the Monitoring Officer.

The monitoring of the Council's Anti-Fraud Strategy will be the responsibility of the Chief Internal Auditor, as part of the monitoring of the annual internal audit plan.

Internal audit also facilitate the Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council it is imperative that the Executive Board are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to '*Senior Management*' and '*the Board*' for approval.

Southern Internal Audit Partnership – Client Portfolio

| | |
|----------------------------------|---|
| Strategic Partner: | Hampshire County Council |
| Key Stakeholder Partners: | Havant Borough Council East Hampshire District Council Winchester City Council Hampshire Fire & Rescue Authority Hampshire Office of the Police & Crime Commissioner Hampshire Constabulary West Sussex County Council New Forest District Council |
| External clients: | Hampshire Pension Fund Sussex Pension Fund Sussex Office of the Police & Crime Commissioner Sussex Police Force Lymington & Pennington Town Council Chichester Harbour New Forrest National Park Authority |
| | Charitable Organisations VTCT Hampshire Cultural Trust |
| | Higher Education Institutions University of Winchester |
| | Further Education Institutions and Sixth Form Colleges Eastleigh; Highbury; Isle of Wight College; Itchen; Portsmouth; and Queen Mary College (QMC) |

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

NON EXEMPT

HAVANT BOROUGH COUNCIL

Governance & Audit Committee

14 March 2018

Update to Corporate Surveillance Policy and Procedure

**Report by Lead Solicitor, Company, Commercial
and Property/Deputy Monitoring Officer**

FOR DECISION

Cabinet Lead: Councillor Bowerman

Key Decision: No

1.0 Purpose of Report

The Council's Governance and Audit Committee is requested to amend the Council's Corporate Surveillance Policy, including comments and recommendations made by Paul Gration of the Office of Surveillance Commissioners following his inspection on the 21st August 2017.

2.0 Recommendation

That the Committee recommends that the amended Corporate Surveillance Policy be adopted by the Council.

3.0 Summary

Changes in legislation and best practice have necessitated changes to be made to the Council's Corporate Surveillance Policy, which concerns covert surveillance undertaken by the Council in accordance with the Regulation of Investigatory Powers Act 2000 (RIPA). The Council's Constitution requires the Governance and Audit Committee to formally review the Policy.

The Policy includes a new section in relation to the use of Social Media.

4.0 Subject of Report

In 2012 the Regulation of Investigatory Powers Act 2000 was amended in two significant ways:

1. In order to carry out covert surveillance authorisation is now required to be obtained from the Magistrates' Court following provisional authorisation by duly authorised Council Officers;
2. Authorisation under the Regulation of Investigatory Powers Act 2000 is now only permitted if the purpose of the surveillance is 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.

NON EXEMPT

These changes have resulted in a decreased number of authorisations being sought by Council Officers carrying out their duties. In Havant, there has only been one authorisation to carry out covert surveillance in the last 3 years and this was prior to the changes set out above.

As a result of the legislative changes, it is necessary to review and update the Council's Corporate Surveillance Policy. A full review was undertaken in June 2017, but amendments are required following receipt of the OSC Inspector's Report.

The proposed Corporate Surveillance Policy and Procedure is attached.

5.0 Implications

5.1 Resources:

There is no unbudgeted financial resource requirement.

5.2 Legal

The policy updates the Council's approach to the amended RIPA provisions and incorporates the OSC's recommendations.

5.3 Strategy:

An updated policy supports the Council's ambitions to provide excellent public services, by providing an up-to-date governance framework within which to conduct surveillance.

5.4 Risks: (Environmental, Health & Safety and Customer Access Impact Assessment)

If the policy is not changed, the Office of Surveillance Commissioners have the power to revoke the Council's powers to authorise covert surveillance. This may have an adverse impact on the ability of Officers to carry out their duties.

5.5 Communications:

No external communications are required as a result of this change of policy. However, RIPA has, at times, attracted national controversy, and public messages will need to be managed at the time of the publication of public reports on this.

5.6 For the Community:

This will ensure that any covert surveillance is carried out in accordance with the law and with best practice thereby not infringing Human Rights legislation.

6.0 Consultation

Tom Horwood, Executive Director (Strategy & Governance)
Finance – Lydia Morrison

NON EXEMPT

Portfolio Holder – Councillor Bowerman

6.1 Appendices: Amended Corporate Surveillance Policy and Procedure including Appendices

Background Papers:

None

Agreed and signed off by:

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Corporate Surveillance Policy And Procedure

CORPORATE SURVEILLANCE POLICY AND PROCEDURE

THE REGULATION OF INVESTIGATORY POWERS ACT 2000

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CORPORATE SURVEILLANCE POLICY

1.0 BACKGROUND

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 recent of which is the access to communications data. This document and the related procedure is intended to provide officers with guidance on the use of covert surveillance, Covert Human Intelligence Sources ('Sources') and the obtaining and disclosure of communications data under RIPA. Officers must take into account the Codes of Practice issued under RIPA (RIPA may be found at: www.legislation.gov.uk/ukpga/2000/23/contents and the Codes of Practice may be found at: www.gov.uk/government/collections/ripa-codes).

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 a citizen, his home and his 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 citizen's right 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).

In exceptional circumstances, Council Officers may engage in covert surveillance. 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 guidance that may be issued, from time to time, designated Senior Responsible Officer identified by the Council's Constitution. Currently this is Tom Horwood, Executive Director.

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. The RIPA Co-ordinator is Sara Bryan, Solicitor.

The Senior Responsible Officer's role is 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 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 councillors have the opportunity to review the Council's use of RIPA.

This policy has been prepared to set out the relevant responsibilities and to ensure that any covert surveillance or the conduct and use of covert human intelligence sources is conducted by officers in a manner that will comply with the safeguards embodied in the Human Rights Act 1998 and RIPA. Pursuance of this policy will assist the Council if it is required at any time to demonstrate that it has acted lawfully.

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 policy and its related procedure will, therefore be kept under yearly review by the Senior Responsible Officer and by the Council's Governance and Audit Committee. 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 sources and the authorisation of the obtaining of 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. 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 COVERT SURVEILLANCE PROCEDURE

2.1 Definition of Surveillance

2.1.1 '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 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.

Covert Surveillance is surveillance carried out in manner calculated to ensure that subjects are unaware that it is or may be taking place. Covert Surveillance involves the systematic surveillance of an individual. The everyday functions of law enforcement will not usually involve covert 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 authorisation from the Chief Executive, or, in her absence, the Senior Responsible Officer .

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.

Directed Surveillance is the type of surveillance with which Council Officers may be involved.

3.2 Intrusive Surveillance

Local authorities are not authorised to carry out intrusive surveillance.

That surveillance becomes intrusive if the covert 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, is not intrusive unless the device 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 covert 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.

4. IDENTIFYING DIRECTED SURVEILLANCE

Ask yourself the following questions:

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 (eg in the case of most test purchases), and/or will be going about Council business openly (eg a market inspector walking through markets).

Similarly, surveillance will be overt if the subject has been told it will happen (eg 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, since members of the public are aware that such systems are in use, there may be occasions when public authorities use overt CCTV systems 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. COVERT HUMAN INTELLIGENCE SOURCES

5.1 Definition

A person is a source (CHIS) if:

- a) he establishes or maintains 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) he covertly uses such a relationship to obtain information or to provide access to any information to another person; or
- c) he covertly discloses 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 (eg 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, so long as they provide information from their own observations.

However, asking a source to obtain information should not be used as the sole benchmark in seeking a CHIS authorisation. It is the activity of the CHIS in exploiting a relationship for a covert purpose which is ultimately authorised by the 2000 Act, whether or not that CHIS is asked to do so. It is possible therefore that a person will become engaged in the conduct of a CHIS without being induced, asked or assisting the person to engage in that conduct.

If the informant is a CHIS, he or she is a person to whom a duty of care is owed. If information provided by a CHIS is to be acted upon, that information must be independently corroborated before taking action.

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

6. SOCIAL NETWORKING SITES

6.1 Use of Social Media

In using social media for the gathering of evidence

- officers must not 'friend' individuals on social networks;
- officers should not use their personal accounts to view the social networking accounts of other individuals

- officers should not view an individual's profile on a social networking site more than once, and this one viewing should only be undertaken in order to obtain evidence to support or refute their investigation
- Further viewing of open profiles on social networking sites to gather or to monitor an individual's status, must only take place once RIPA authorisation has been granted and approved by a Magistrate
- Officers should be aware that it may not be possible to verify the accuracy of information on social networking sites and, if such information is to be used as evidence, step MUST be taken to ensure its validity

6.2 General

It is not possible to provide a definitive list of social networking sites, so this should be taken to mean any site which involves individuals creating a profile which contains personal information and is viewable by others, whether accepted as 'friends' or otherwise. This might include sites such as 'Facebook' and 'Linked In'.

6.3 RIPA

The definition of 'private information' under RIPA includes "any information relating to a person's private life or personal relationship with others, including family and professional or business relationships.

6.4 Advertising Sites

Sites used to advertise goods and services should be included within the above definition. Although there is likely to be a reduced expectation of privacy with this type of site, it is still possible that this information could be used in proceedings and care must be taken if using such private information.

6.5 Allegations

If, as part of an investigation into an individual it becomes necessary to look at their social media sites, then the page should only be viewed once in order for an assessment to be made on the allegation. The viewing must be reasonable and proportionate, and should not be used as an opportunity to look for something useful. Where a link is provided by a complainant then this link can be used to assess its relevance, but should not be repeatedly viewed.

6.6 Continuous Monitoring

If there is a need to carry out repeated monitoring on an individual's social networking site, authorisation MUST be obtained. If the offence being investigated falls under RIPA, a formal RIPA application must be completed, authorised by an Authorising Officer and then approved by a Magistrate.

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.

Council Officers do not obtain communications data

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. Authorisation for directed surveillance can only be granted if the purpose of the surveillance is the prevention or detection of crime(s) punishable by 6 months imprisonment or more, or relates to the sale or alcohol or tobacco to underage persons.

Any officer who undertakes investigations 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 source. Each provisional authorisation then needs to receive judicial approval before being acted upon.

Flowcharts which may be of use when considering whether to undertake covert surveillance or the use of CHIS are at **Appendices 2 & 3**.

8.2 Who can give Provisional Authorisations?

By law, the 'Authorising Officer' for local authority purposes is any assistant Chief Officer, assistant Head of Service, service manager or equivalent. An Authorising Officer may grant a provisional authorisation, but this authorisation will not take effect until it receives judicial approval (See paragraph 7.4). 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, or, in her genuine absence, the Senior Responsible Officer.

The Council's authorised posts are listed in **Appendix 1**. This appendix will be kept up to date by the Senior Responsible Officer and added to as needs require. If any council manager wishes to add, delete or substitute a post, a request must be referred to the Senior Responsible Officer for consideration as necessary.

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 before Authorising Officers are certified to sign any RIPA forms. A central register of all those individuals who have undergone training will be kept by the Head of Legal Services.

Authorising Officers will also 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.

Authorising Officers must also ensure that, when sending copies of any forms to the Head of Legal Services, the same are sent in sealed envelopes and marked 'Strictly Private and Confidential'.

Any equipment to be used in any approved surveillance must be properly controlled, recorded and maintained for audit purposes.

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 carrying out any form of surveillance.

An Authorising Officer shall not grant a provisional authorisation for the carrying out of directed surveillance, or for the use of a source or for the obtaining or disclosing of communications data 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 is deemed "**necessary**" in the circumstances of the particular case if it is for the purpose of preventing or detecting crime.

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. Authorisation for directed surveillance can only be granted if the purpose of the surveillance is the prevention or detection of crime(s) punishable by 6 months imprisonment or more, or relates to the sale or alcohol or tobacco to underage persons. Covert surveillance relating to dog fouling and suspected false addresses will not be deemed a proportionate activity.

Careful consideration needs to be made by authorising officers of all of these points. 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.

Authorising Officers should not be responsible for authorising investigations or operations in which they are directly involved.

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 surveillance.

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

8.4 Judicial Approval of Provisional Authorisations and Renewals

The Council is only able to grant a provisional authorisation or renewal to conduct covert surveillance. All provisional authorisations and renewals must be approved by the Magistrates Court before surveillance commences.

The Council must apply to the local Magistrates Court for an Order approving the grant or renewal of an authorisation. A template application form and draft Order are included at **Appendix 6** to this policy. In order to obtain judicial approval, the first page of the template form must be completed and

submitted along with a copy of the provisional authorisation and any other relevant supporting documents.

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.

The Magistrates will consider the provisionally authorised application or renewal, and will need to satisfy themselves satisfied 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 Council's Legal Team will generally make applications for judicial approval to the Magistrates Court on behalf of the Council.

8.5 Urgency

Urgent authorisations are no longer available in relation to directed surveillance or covert human intelligence sources.

8.6 Standard Forms

All authorisations must be in writing.

Standard forms for seeking provisional directed surveillance and covert human intelligence source authorisations are provided at **Appendices 4 & 5**. The standard form for obtaining judicial approval is provided at **Appendix 6**. All authorisations shall be sought using the standard forms as amended from time to time.

97. ACTIVITIES BY OTHER PUBLIC AUTHORITIES CONTRACTORS AND PARTNERS

9.1 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.

9.2 Contractors and Partners

Employees of a private company, such as Capita, are not permitted to make applications to carry out covert surveillance. Any employee of such a company considering the need to carry out surveillance should contact a member of the Council's Legal Team who may make an application on their behalf, ensuring that the Legal Officer is fully briefed on the details of the case and the planned surveillance.

Any employee of a partner organisation considering the need to carry out surveillance should contact a member of the Council's Legal Team who may make an application on their behalf, ensuring that the Legal Officer is fully briefed on the details of the case and the planned surveillance.

10. JOINT INVESTIGATIONS

10.1 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 (eg police, Customs & Excise, Inland Revenue etc):

- (a) wish to use the Council's resources (eg 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 a copy of that agency's RIPA form for the record and/or relevant extracts from the same which are sufficient 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 from the date of 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 do not expire, they have to 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. 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 **Appendices 4 & 5**.

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 **Appendices 4 & 5**.

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.

Cancellation forms for directed surveillance and CHIS are attached at **Appendices 4 & 5**.

12. RECORDS

The Council must keep a detailed record of all authorisations, reviews, renewals, cancellations and rejections in departments and a central register of all such forms will be maintained by the Head of Legal Services.

12.1 Central record of all Authorisations

The Solicitor to the Council shall hold a centrally retrievable record of all provisional and judicially approved authorisations. The Authorising Officer must notify and forward a copy of any provisional notice or authorisation granted, renewed or cancelled and any judicial approval received or refused within 1 week of the event to the Head of Legal Services to ensure that the records are regularly updated.

The record will be made available to the relevant Commissioner or an Inspector from the Office of Surveillance Commissioners. These records will be retained for a period of 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.

The records submitted to the Head of Legal Services shall contain the following information:

- a) the type of authorisation or notice

- b) the date the provisional authorisation or notice was given;
- c) name and rank/grade of the authorising officer;
- d) the date judicial approval was received or refused;
- e) the unique reference number (URN) of the investigation or operation;
- f) the title of the investigation or operation, including a brief description and names of subjects, if known;
- g) if the authorisation or notice is renewed, when it was renewed and who authorised the renewal, including the name and rank/grade of the authorising officer and the date of judicial approval;
- h) whether the investigation or operation is likely to result in obtaining confidential information;
- i) the date the authorisation or notice was cancelled.

The Senior Responsible Officer will monitor the submission of provisional and judicially approved authorisations and notices and give appropriate guidance, from time to time, or amend any provisional or draft document as necessary.

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) a copy of the application and provisional authorisation or notice together with a copy of any order of judicial approval or refusal, as well as any supplementary documentation and notification of the approval 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) a record of the result of each review of the authorisation or notice;
- e) a copy of any renewal of an authorisation or notice, together with judicial approval or refusal and the supporting documentation submitted when the renewal was requested;
- f) the date and time when any instruction was given by the Authorising Officer.
- g) the unique reference number for the authorisation (URN)

Each form must have a URN provided by the Head of Legal Services . The Authorising Officers will issue the relevant URN to applicants. The cross-

referencing of each URN takes place within the form for audit purposes. Rejected forms will also have URN's.

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.

13. RETENTION AND DESTRUCTION

13.1 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.

13.2 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

14.1 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

15.1 The Office of Surveillance Commissioners (OSC) has 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

15.2 There is also a statutory complaints system welcomed by the Council. 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 welcomes this external scrutiny. It expects its officers to co-operate fully with these statutory 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 HEAD OF LEGAL SERVICES

APPENDIX 1

APPENDIX 1

REGULATION OF INVESTIGATORY POWERS ACT 2000

List of Authorising Officers

List of persons empowered to provisionally authorise surveillance which is not likely to result in the acquisition of confidential information

Surveillance, which is not likely to result in the acquisition of confidential information, requires an authorised officer to grant the provisional authorisation.

The authorised person must be:

- Head of Legal Services
- Head of Neighbourhood Support
- Head of Customer Services

NB. The power to authorise surveillance under RIPA cannot be delegated to anyone else

List of persons empowered to provisionally authorise surveillance which is likely to result in the acquisition of confidential information

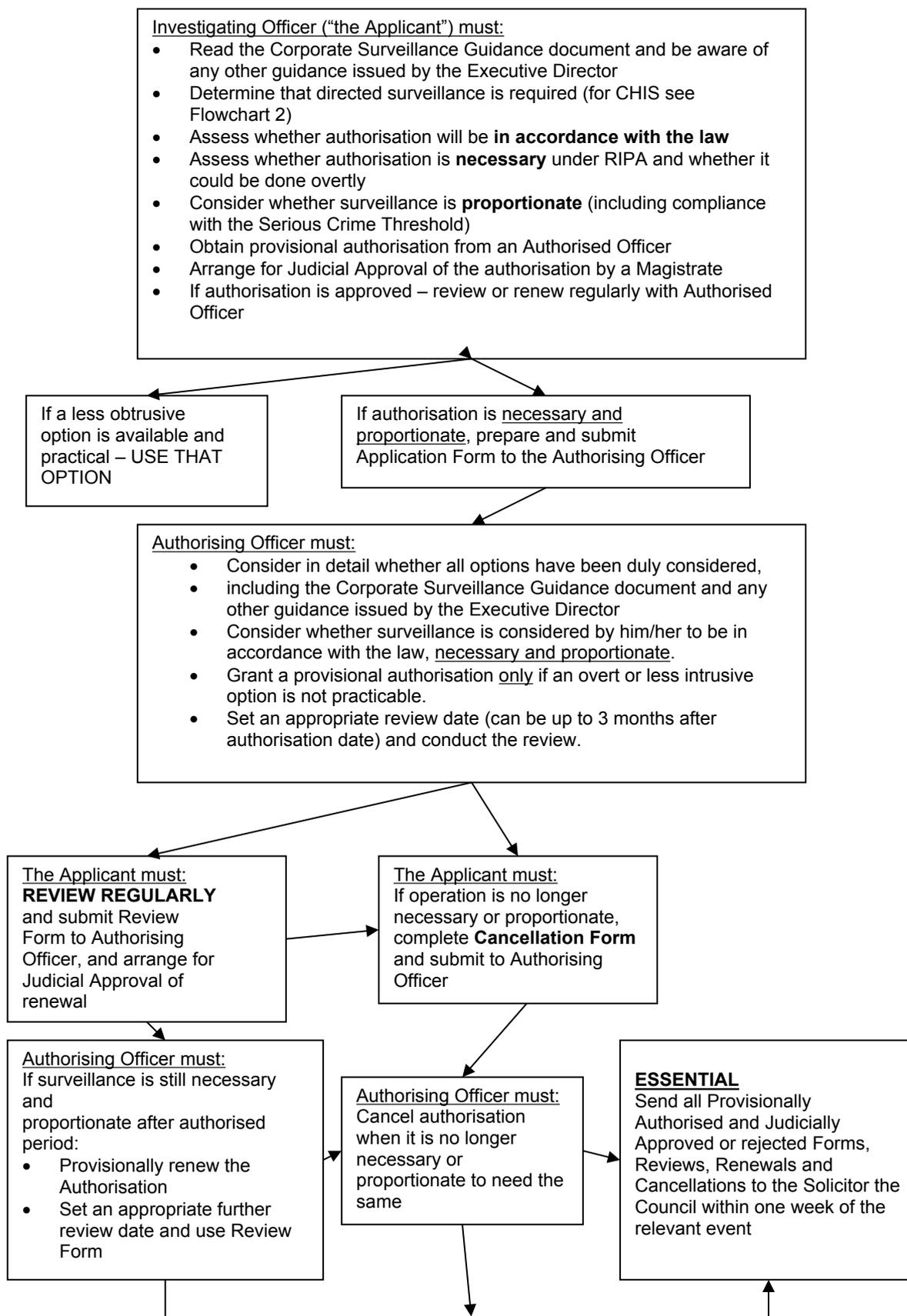
Surveillance which is likely to result in the acquisition of confidential information requires provisional authorisation from:

- Chief Executive
- Or in her absence the Executive Director

NB. The power to authorise surveillance under RIPA cannot be delegated to anyone else.

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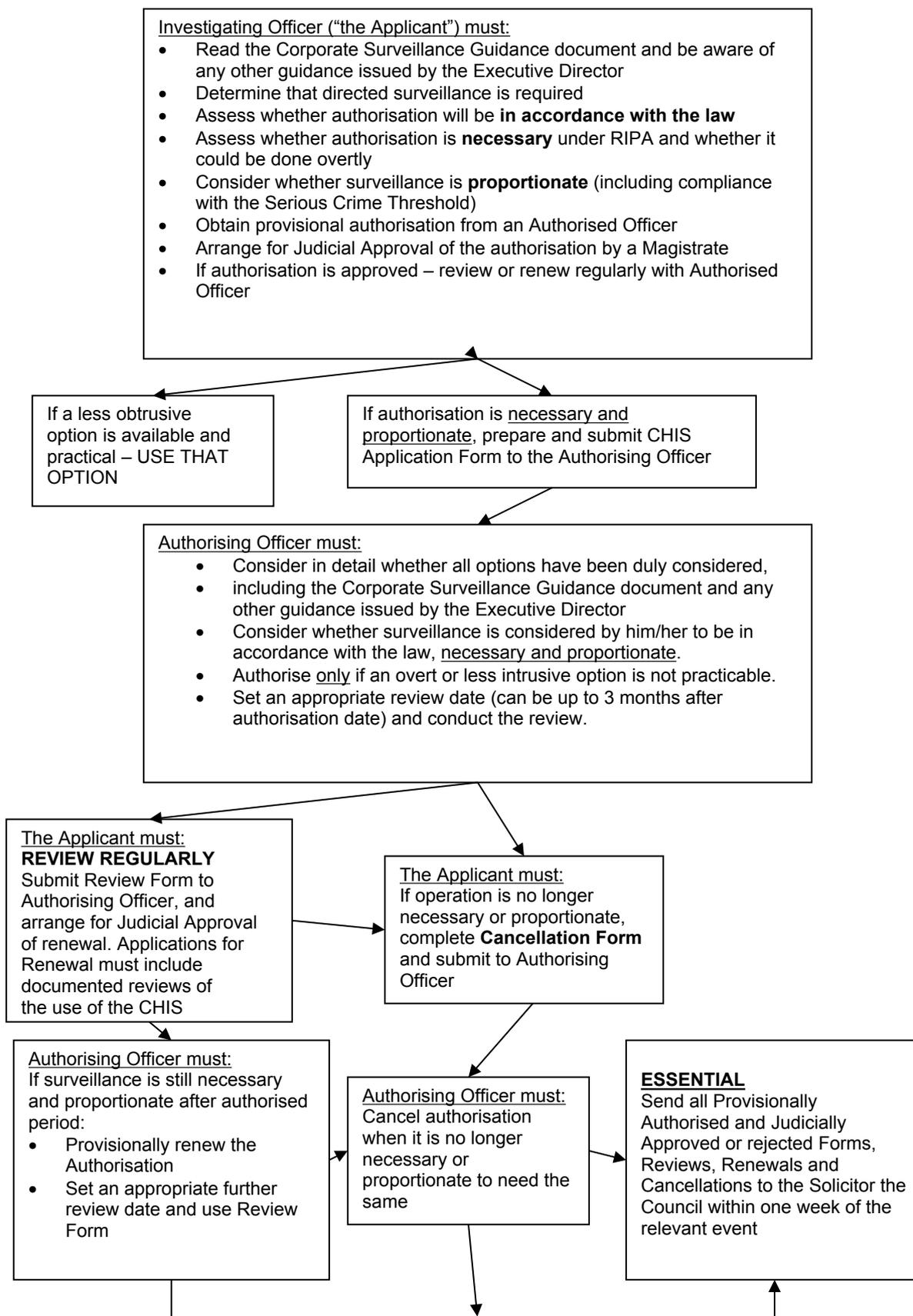
APPENDIX 2 RIPA FLOWCHART 1: DIRECTED SURVEILLANCE



NB: If in doubt, ask Solicitor to the Council before any directed surveillance and/or CHIS is authorised, reviews, renewed, cancelled or rejected. Chief Officers will designate one of their staff to be a Departmental Co-ordinator for the purpose of RIPA and advise the Council accordingly

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APPENDIX 3 - RIPA FLOWCHART 2: CHIS



NB: If in doubt, ask the Solicitor to the Council before any directed surveillance and/or CHIS is authorised, reviews, renewed, cancelled or rejected. Chief Officers will designate one of their staff to be a Departmental Co-ordinator for the purpose of RIPA and advise the Solicitor to the Council accordingly

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APPENDIX 4a

Part II of the Regulation of Investigatory Powers Act 2000**Authorisation Directed Surveillance**

| | | | |
|---|--|------------------------------|--|
| Public Authority <i>(including full address)</i> | | | |
| | | | |
| Name of Applicant | | Unit/Branch /Division | |
| Full Address | | | |
| Contact Details | | | |
| Investigation/Operation Name (if applicable) | | | |
| Investigating Officer (if a person other than the applicant) | | | |

APPENDIX 4a

| DETAILS OF APPLICATION |
|--|
| 1. Give rank or position of authorising officer in accordance with the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 No. 521.¹ |
| |
| 2. Describe the purpose of the specific operation or investigation. |
| |
| 3. Describe in detail the surveillance operation to be authorised and expected duration, including any premises, vehicles or equipment (e.g. camera, binoculars, recorder) that may be used. |
| |
| 4. The identities, where known, of those to be subject of the directed surveillance. |
| <ul style="list-style-type: none">• Name:• Address:• DOB:• Other information as appropriate: |
| 5. Explain the information that it is desired to obtain as a result of the directed surveillance. |

¹ For local authorities: The exact position of the authorising officer should be given. For example, Head of Trading Standards.

APPENDIX 4a

6. Identify on which grounds the directed surveillance is necessary under Section 28(3) of RIPA. Delete those that are inapplicable. Ensure that you know which of these grounds you are entitled to rely on (SI 2010 No.521).

- In the interests of national security;
- For the purpose of preventing or detecting crime or of preventing disorder;
- In the interests of the economic well-being of the United Kingdom;
- In the interests of public safety;
- for the purpose of protecting public health;
- for the purpose of assessing or collecting any tax, duty, levy or other imposition, contribution or charge payable to a government department;

7. Explain why this directed surveillance is necessary on the grounds you have identified [Code paragraph 3.3].

8. Supply details of any potential collateral intrusion and why the intrusion is unavoidable. [Bear in mind Code paragraphs 3.8 to 3.11.]

Describe precautions you will take to minimise collateral intrusion.

APPENDIX 4a

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9. Explain why this directed surveillance is proportionate to what it seeks to achieve. How intrusive might it be on the subject of surveillance or on others? And why is this intrusion outweighed by the need for surveillance in operational terms or can the evidence be obtained by any other means [Code paragraphs 3.4 to 3.7]?

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10. Confidential information [Code paragraphs 4.1 to 4.31].
INDICATE THE LIKELIHOOD OF ACQUIRING ANY CONFIDENTIAL INFORMATION:

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APPENDIX 4a

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|---|
| 14. (Confidential Information Authorisation.) Supply detail demonstrating compliance with Code paragraphs 4.1 to 4.31. |
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| | |
|-----------------------------|--|
| Date of first review | |
|-----------------------------|--|

| |
|---|
| Programme for subsequent reviews of this authorisation: [Code paragraph 3.23]. Only complete this box if review dates after first review are known. If not or inappropriate to set additional review dates then leave blank. |
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| | | | |
|--|--|----------------------|--|
| Name (Print) | | Grade / Rank | |
| Signature | | Date and time | |
| Expiry date and time [e.g.: authorisation granted on 1 April 2005 - expires on 30 June 2005, 23.59] | | | |

APPENDIX 4a

15. Urgent Authorisation [Code paragraph 5.9]: Authorising officer: explain why you considered the case so urgent that an oral instead of a written authorisation was given.

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16. If you are only entitled to act in urgent cases: explain why it was not reasonably practicable for the application to be considered by a fully qualified authorising officer.

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|---------------------|--|--------------------------|--|--|
| Name (Print) | | Grade/ Rank | | |
| Signature | | Date and Time | | |

| | | | |
|--|--|---------------------|--|
| Urgent authorisation Expiry date: | | Expiry time: | |
|--|--|---------------------|--|

| | | | |
|---|--|--|--|
| <i>Remember the 72 hour rule for urgent authorities – check Code of Practice.</i> | e.g. authorisation granted at 5pm on June 1 st expires 4.59pm on 4 th June | | |
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APPENDIX 4b

Part II of the Regulation of Investigatory Powers Act 2000

Review of a Directed Surveillance authorisation

| | |
|---|--|
| Public Authority <i>(including address)</i> | |
|---|--|

| | | | |
|--|--|--|--|
| Applicant | | Unit/Branch /Division | |
| Full Address | | | |
| Contact Details | | | |
| Operation Name | | Operation Number* <small>*Filing Ref</small> | |
| Date of authorisation or last renewal | | Expiry date of authorisation or last renewal | |
| | | Review Number | |

Details of review:

| | |
|--|-------------|
| 1. Review number and dates of any previous reviews. | |
| Review Number | Date |
| | |

| |
|--|
| 2. Summary of the investigation/operation to date, including what private information has been obtained and the value of the information so far obtained. |
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APPENDIX 4b

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| 3. Detail the reasons why it is necessary to continue with the directed surveillance. |
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| 4. Explain how the proposed activity is still proportionate to what it seeks to achieve. |
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| 5. Detail any incidents of collateral intrusion and the likelihood of any further incidents of collateral intrusions occurring. |
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| 6. Give details of any confidential information acquired or accessed and the likelihood of acquiring confidential information. |
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| 7. Applicant's Details | | | |
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| | | | |
|---------------------|--|---------------|--|
| Name (Print) | | Tel No | |
| Grade/Rank | | Date | |

| | |
|-------------------------|--|
| Unique Reference Number | |
|-------------------------|--|

APPENDIX 4b

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|-----------|--|
| Signature | |
|-----------|--|

8. Review Officer's Comments, including whether or not the directed surveillance should continue.

9. Authorising Officer's Statement.

I, [insert name], hereby agree that the directed surveillance investigation/operation as detailed above [should/should not] continue [until its next review/renewal][it should be cancelled immediately].

Name (Print) ----- Grade / Rank -----

Signature ----- Date -----

10. Date of next review.

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APPENDIX 4c

Part II of the Regulation of Investigatory Powers Act 2000**Renewal of a Directed Surveillance Authorisation**

| | |
|--|--|
| Public Authority <i>(including full address)</i> | |
|--|--|

| | | | |
|---|--|------------------------------|--|
| Name of Applicant | | Unit/Branch /Division | |
| Full Address | | | |
| Contact Details | | | |
| Investigation/Operation Name (if applicable) | | | |
| Renewal Number | | | |

Details of renewal:

| 1. Renewal numbers and dates of any previous renewals. | |
|---|-------------|
| Renewal Number | Date |
| | |

| |
|---|
| 2. Detail any significant changes to the information as listed in the original authorisation as it applies at the time of the renewal. |
|---|

APPENDIX 4c

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| 3. Detail the reasons why it is necessary to continue with the directed surveillance. |
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| 4. Detail why the directed surveillance is still proportionate to what it seeks to achieve. |
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| 5. Indicate the content and value to the investigation or operation of the information so far obtained by the directed surveillance. |
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| 6. Give details of the results of the regular reviews of the investigation or operation. |
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| 7. Applicant's Details | | | |
|-------------------------------|--|--|--|

| | | | |
|---------------------|--|---------------|--|
| Name (Print) | | Tel No | |
|---------------------|--|---------------|--|

| | |
|-------------------------|--|
| Unique Reference Number | |
|-------------------------|--|

APPENDIX 4c

| | | | |
|-------------------|--|-------------|--|
| Grade/Rank | | Date | |
| Signature | | | |

8. Authorising Officer's Comments. This box must be completed.

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9. Authorising Officer's Statement.

I, [insert name], hereby authorise the renewal of the directed surveillance operation as detailed above. The renewal of this authorisation will last for 3 months unless renewed in writing.

This authorisation will be reviewed frequently to assess the need for the authorisation to continue.

| | | | |
|---------------------|-------|---------------------|-------|
| Name (Print) | ----- | Grade / Rank | ----- |
| Signature | ----- | Date | ----- |

| | | |
|----------------------|--------------|--------------|
| Renewal From: | Time: | Date: |
|----------------------|--------------|--------------|

| | |
|--|--|
| Date of first review. | |
| Date of subsequent reviews of this authorisation. | |

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APPENDIX 4d

Part II of the Regulation of Investigatory Powers Act 2000

Cancellation of a Directed Surveillance authorisation

| | |
|--|--|
| Public Authority <i>(including full address)</i> | |
|--|--|

| | | | |
|---|--|------------------------------|--|
| Name of Applicant | | Unit/Branch /Division | |
| Full Address | | | |
| Contact Details | | | |
| Investigation/Operation Name (if applicable) | | | |

Details of cancellation:**1. Explain the reason(s) for the cancellation of the authorisation:**

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APPENDIX 4d

2. Explain the value of surveillance in the operation:

| |
|--|
| |
|--|

3. Authorising officer's statement.

I, [insert name], hereby authorise the cancellation of the directed surveillance investigation/operation as detailed above.

| | | | |
|---------------------|-------|--------------|-------|
| Name (Print) | _____ | Grade | _____ |
| Signature | _____ | Date | _____ |

4. Time and Date of when the authorising officer instructed the surveillance to cease.

| | | | |
|--------------|--|--------------|--|
| Date: | | Time: | |
|--------------|--|--------------|--|

| | | |
|------------------------------------|--------------|--------------|
| 5. Authorisation cancelled. | Date: | Time: |
|------------------------------------|--------------|--------------|

APPENDIX 5a

Part II of the Regulation of Investigatory Powers Act (RIPA) 2000

Application for authorisation of the conduct or use of a Covert Human Intelligence Source (CHIS)

| | | | |
|--|--|-----------------------------------|--|
| Public Authority <i>(including full address)</i> | | | |
| Name of Applicant | | Service/Department /Branch | |
| How will the source be referred to(i.e. what will be his/her pseudonym or reference number)? | | | |
| What is the name, rank or position of the person within the relevant investigating authority who will have day to day responsibility for dealing with the source, including the source's security and welfare (often referred to as the Handler)? | | | |
| What is the name, rank or position of another person within the relevant investigating authority who will have general oversight of the use made of the source (often referred to as the Controller)? | | | |
| Who will be responsible for retaining (in secure, strictly controlled conditions, with need-to-know access) the source's true identity, a record of the use made of the source and the particulars required under RIP (Source Records) Regulations 2000 (SI 2000/2725)? | | | |
| Investigation/Operation Name (if applicable) | | | |

APPENDIX 5a

| DETAILS OF APPLICATION |
|--|
| 1. Give rank or position of authorising officer in accordance with the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 No. 521. ¹ Where appropriate throughout amend references to the Order relevant to your authority. |
| |
| 2. Describe the purpose of the specific operation or investigation. |
| |
| 3. Describe in detail <u>the purpose</u> for which the source will be tasked or used. |
| |
| 4. Describe in detail the proposed covert conduct of the source or <u>how</u> the source is to be used. |
| |
| 5. Identify on which grounds the conduct or the use of the source is <u>necessary</u> under Section 29(3) of RIPA. Delete those that are inapplicable. Ensure that you know which of these grounds you are entitled to rely on (eg. SI 2010 No.521). |
| <ul style="list-style-type: none">• In the interests of national security;• For the purpose of preventing or detecting crime or of preventing disorder;• In the interests of the economic well-being of the United Kingdom; |

¹ For local authorities: The formal position of the authorising officer should be given. For example, Head of Trading Standards.

APPENDIX 5a

- In the interests of public safety;
- for the purpose of protecting public health;
- for the purpose of assessing or collecting any tax, duty, levy or other imposition, contribution or charge payable to a government department.

6. Explain why this conduct or use of the source is necessary on the grounds you have identified [Code paragraph 3.2].

7. Supply details of any potential collateral intrusion and why the intrusion is unavoidable. [Bear in mind Code paragraphs 3.8 to 3.11.]

Describe precautions you will take to minimise collateral intrusion and how any will be managed.

8. Are there any particular sensitivities in the local community where the source is to be used? Are similar activities being undertaken by other public authorities that could impact on the deployment of the source (see Code paragraphs 3.17 to 3.18)?

APPENDIX 5a

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9. Provide an assessment of the risk to the source in carrying out the proposed conduct (see Code paragraph 6.14).

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10. Explain why this conduct or use of the source is proportionate to what it seeks to achieve. How intrusive might it be on the subject(s) of surveillance or on others? How is this intrusion outweighed by the need for a source in operational terms, and could the evidence be obtained by any other means [Code paragraphs 3.3 to 3.5]?

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**11. Confidential information [Code paragraphs 4.1 to 4.21]
Indicate the likelihood of acquiring any confidential information.**

| |
|---|
| References for any other linked authorisations: |
|---|

12. Applicant's Details.

| | | | |
|---------------------|--|----------------------------|--|
| Name (print) | | Grade/Rank/Position | |
| Signature | | Tel No: | |

CHIS Unique Reference Number (URN) (to be supplied by the central monitoring officer).

APPENDIX 5a

Date

13. Authorising Officer's Statement. [Spell out the "5 Ws" – Who; What; Where; When; Why and HOW – in this and the following box.] THE AUTHORISATION SHOULD IDENTIFY THE PSEUDONYM OR REFERENCE NUMBER OF THE SOURCE, NOT THE TRUE IDENTITY.

14. Explain why you believe the conduct or use of the source is necessary [Code paragraph 3.2] Explain why you believe the conduct or use of the source to be proportionate to what is sought to be achieved by their engagement [Code paragraphs 3.3 to 3.5].

15. Confidential Information Authorisation. Supply details demonstrating compliance with Code paragraphs 4.1 to 4.21

16. Date of first review:

| | |
|--|--|
| CHIS Unique Reference Number (URN) (to be supplied by the central monitoring officer). | |
|--|--|

APPENDIX 5a

17. Programme for subsequent reviews of this authorisation [Code paragraphs 5.15 and 5.16]. Only complete this box if review dates after first review are known. If not, or inappropriate to set additional review dates, then leave blank.

| |
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18. Authorising Officer's Details

| | | | |
|---------------------|--|---|--|
| Name (Print) | | Grade/Rank/Position | |
| Signature | | Time and date granted* | |
| | | Time and date authorisation ends | |

** Remember, an authorisation must be granted for a 12 month period, i.e. 1700 hrs 4th June 2006 to 2359hrs 3 June 2007*

19. Urgent Authorisation [Code paragraphs 5.13 and 5.14]: Authorising Officer: explain why you considered the case so urgent that an oral instead of a written authorisation was given.

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20. If you are entitled to act only in urgent cases: explain why it was not reasonably practicable for the application to be considered by a fully designated Authorising Officer

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21. Authorising Officer of urgent authorisation

| | | | |
|--|--|----------------------------|--|
| Name (Print) | | Grade/Rank/Position | |
| Signature | | Date and Time | |
| Urgent authorisation expiry date: | | Expiry time: | |

Remember the 72 hour rule for urgent authorisations – check Code of Practice [Code Paragraph 5.14]. e.g. authorisation granted at 1700 on 1st June 2006 expires 1659 on 4th June 2006

| | |
|--|--|
| Unique Operation Reference Number* (*Filing Ref) | |
|--|--|

APPENDIX 5b

Part II of the Regulation of Investigatory Powers Act (RIPA) 2000

Cancellation of an authorisation for the use or conduct of a Covert Human Intelligence Source

| | |
|--|--|
| Public Authority <i>(including full address)</i> | |
|--|--|

| | | | |
|---|--|--------------------|--|
| Name of Applicant | | Unit/Branch | |
| Full Address | | | |
| Contact Details | | | |
| Pseudonym or reference number of source | | | |
| Investigation/Operation Name (if applicable) | | | |

APPENDIX 5b

Details of cancellation:

1. Explain the reason(s) for the cancellation of the authorisation:

Empty text box for explanation of cancellation reasons.

2. Explain the value of the source in the operation:

Empty text box for explanation of source value.

3. Authorising officer's statement. THIS SHOULD IDENTIFY THE PSEUDONYM OR REFERENCE NUMBER OF THE SOURCE NOT THE TRUE IDENTITY.

Empty text box for authorising officer's statement.

| | | | |
|---------------------|-------|--------------|-------|
| Name (Print) | ----- | Grade | ----- |
| Signature | ----- | Date | ----- |

4. Time and Date of when the authorising officer instructed the use of the source to cease.

| | | | |
|--------------|--|--------------|--|
| Date: | | Time: | |
|--------------|--|--------------|--|

Unique Operation Reference Number* (*Filing Ref)

APPENDIX 5c

**Part II of the Regulation of Investigatory Powers Act
(RIPA) 2000**

Review of a Covert Human Intelligence Source (CHIS) Authorisation

| | |
|--|--|
| Public Authority <i>(including full address)</i> | |
|--|--|

| | | | |
|--|----------------------|---|--|
| Applicant | | Unit/Branch | |
| Full Address | | | |
| Contact Details | | | |
| Pseudonym or reference number of source | | | |
| Operation Name | | Operation Number * <i>*Filing Ref</i> | |
| Date of authorisation or last renewal | | Expiry date of authorisation or last renewal | |
| | Review Number | | |

APPENDIX 5c

Details of review:

1. Review number and dates of any previous reviews.

| Review Number | Date |
|---------------|------|
| | |

2. Summary of the investigation/operation to date, including what information has been obtained and the value of the information so far obtained.

3. Detail the reasons why it is necessary to continue using a Covert Human Intelligence Source.

4. Explain how the proposed activity is still proportionate to what it seeks to achieve.

5. Detail any incidents of collateral intrusion and the likelihood of any further incidents of collateral intrusions occurring.

Unique Operation Reference Number* (*Filing Ref)

APPENDIX 5c

6. Give details of any confidential information acquired or accessed and the likelihood of acquiring confidential information.

7. Give details of the review of the risk assessment on the security and welfare of using the source.

8. Applicant's Details

Name (Print)

Tel No

Grade/Rank

Date

Signature

9. Review Officer's Comments, including whether or not the use or conduct of the source should continue.

10. Authorising Officer's Statement. THE AUTHORISATION SHOULD IDENTIFY THE PSEUDONYM OR REFERENCE NUMBER OF THE SOURCE, NOT THE TRUE IDENTITY.

Name (Print)

Grade / Rank

Signature

Date

| | |
|--|--|
| Unique Operation Reference Number** (*Filing Ref) | |
|--|--|

APPENDIX 5c

| | |
|-----------------------------|--|
| Date of next review: | |
|-----------------------------|--|

APPENDIX 5d

Part II of the Regulation of Investigatory Powers Act (RIPA) 2000

Application for renewal of a Covert Human Intelligence Source (CHIS) Authorisation

(Please attach the original authorisation)

| | |
|---|--|
| Public Authority <i>(including full address)</i> | |
|---|--|

| | | | |
|--|--|-------------|--|
| Name of Applicant | | Unit/Branch | |
| Full Address | | | |
| Contact Details | | | |
| Pseudonym or reference number of source | | | |
| Investigation/Operation Name (if applicable) | | | |
| Renewal Number | | | |

Details of renewal:

| 1. Renewal numbers and dates of any previous renewals. | |
|--|------|
| Renewal Number | Date |
| | |

APPENDIX 5d

2. Detail any significant changes to the information as listed in the original authorisation as it applies at the time of the renewal.

3. Detail why it is necessary to continue with the authorisation, including details of any tasking given to the source.

4. Detail why the use or conduct of the source is still proportionate to what it seeks to achieve.

5. Detail the use made of the source in the period since the grant of authorisation or, as the case may be, latest renewal of the authorisation.

6. List the tasks given to the source during that period and the information obtained from the conduct or

APPENDIX 5d

use of the source.

| |
|--|
| |
|--|

7. Detail the results of regular reviews of the use of the source.

| |
|--|
| |
|--|

8. Give details of the review of the risk assessment on the security and welfare of using the source.

| |
|--|
| |
|--|

9. Applicant's Details

| | | | |
|---------------------|--|---------------|--|
| Name (Print) | | Tel No | |
| Grade/Rank | | Date | |
| Signature | | | |

10. Authorising Officer's Comments. This box must be completed.

| |
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| |
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11. Authorising Officer's Statement. THE AUTHORISATION SHOULD IDENTIFY THE PSEUDONYM OR REFERENCE NUMBER OF THE SOURCE NOT THE TRUE IDENTITY.

| | |
|---|--|
| Unique Operation Reference Number* (*Filing Ref) | |
|---|--|

APPENDIX 5d

| | | |
|----------------------|--------------|---|
| | | |
| Name (Print) | ----- | Grade / Rank |
| Signature | | Date |
| Renewal From: | Time: | Date: |
| | | End date/time of the authorisation |

NB. Renewal takes effect at the time/date of the original authorisation would have ceased but for the renewal

| | |
|--|--|
| Date of first review: | |
| Date of subsequent reviews of this authorisation: | |

APPENDIX 6

Application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance. Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.

Local authority:.....
Local authority department:.....
Offence under investigation:.....
Address of premises or identity of subject:.....
.....
.....

Covert technique requested: (tick one and specify details)

- Communications Data**
- Covert Human Intelligence Source**
- Directed Surveillance**

Summary of details

.....
.....
.....
.....
.....
.....

Note: this application should be read in conjunction with the attached RIPA authorisation/RIPA application or notice.

Investigating Officer:.....
Authorising Officer/Designated Person:.....
Officer(s) appearing before JP:.....
Address of applicant department:.....
.....
Contact telephone number:.....
Contact email address (optional):.....
Local authority reference:.....
Number of pages:.....

APPENDIX 6

Order made on an application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance. Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.

Magistrates' court:.....

Having considered the application, I (tick one):

- am satisfied that there are reasonable grounds for believing that the requirements of the Act were satisfied and remain satisfied, and that the relevant conditions are satisfied and I therefore approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal and quash the authorisation/notice.

Notes

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Reasons

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.....
.....
.....

Signed:

Date:

Time:

Full name:.....

Address of magistrates' court:.....

.....

NON-EXEMPT

HAVANT BOROUGH COUNCIL

Governance & Audit Committee

14 March 2018

UPDATE TO THE CONSTITUTION

Democratic Services Assistant

FOR RECOMMENDATION TO COUNCIL

Cabinet Lead: Cllr L Bowerman

Key Decision: No

1.0 Purpose of Report

- 1.1 For the Governance & Audit Committee to consider proposed changes to the Council's Constitution.

2.0 Recommendation

That the Committee recommends that the Council amends Standing Orders 1.11 and 6.14 of the Constitution as follows:

Standing Order 1.11

Every member of the Council must within twenty eight days from the start of each municipal year sign a declaration on a form supplied by the Democratic Services Team, that she or he has read **and understood** the Council's latest version of the Constitution

Standing Order 6.14

Every member of the Council must within twenty eight days from being appointed to a Committee, Sub Committee or Board sign a declaration on a form supplied by the Democratic Services Team, that he or she has read **and understood** the terms of reference for each committee, sub committee or board he or she has been appointed to. A failure to comply with this standing order will be considered as a breach of the adopted Councillor's Code of Conduct

*amendments shown in bold

3.0 Summary

- 3.1 The Budget Scrutiny and Policy Development Panel recommended changes to the Constitution in its review in 2016/17, which included a number of updates to the document.

NON-EXEMPT

3.2 One of these changes was to introduce declaration for each member to sign, stating that they had read the Constitution and the terms of reference for the committees, sub-committees or boards to which they are appointed. This recommendation, among other updates, was accepted by the Governance and Audit Committee on 24 April 2017 and resolved by Full Council on 10 May 2017/

3.3 The Panel reviewed the progress of these recommendations on 11 December 2017, and were pleased to note that all recommended changes had been made and all members had signed their relevant declarations.

3.4 The Panel felt however that the wording for Standing Orders 1.11 and 6.14 should be strengthened, so that it was clear that members would be expected to have read and understood the relevant sections. The Scrutiny Board ratified this recommendation on 30 January 2018.

4.0 STRATEGY

4.1 n/a

5.0 LEGAL

5.1 Article 12 of the Council's Constitution sets out that any change to the Constitution (except for changes in law or in the Council's management structure) may only be approved by Full Council after consideration by the Governance and Audit Committee.

6.0 RESOURCES

6.1 n/a

7.0 STAKEHOLDERS

7.1 n/a

8.0 RISKS

8.1 There are no risks arising directly from this report.

Background Papers – n/a

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Title: Democratic Services Assistant
E-Mail: nicholas.rogers@havant.gov.uk