



AUDIT COMMITTEE

DATE: Thursday, 22 April 2021
TIME: 10.30 am
VENUE: Meeting to be held pursuant to Statutory Instrument 2020/392. Link to live stream will be found at <https://www.tendringdc.gov.uk/livemeetings>

MEMBERSHIP:

| | |
|--------------------------------------|-------------------|
| Councillor Coley (Chairman) | Councillor Miles |
| Councillor Alexander (Vice-Chairman) | Councillor Placey |
| Councillor Fairley | Councillor Steady |
| Councillor King | |

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Meeting papers can be provided, on request, in large print, in Braille, or on disc, tape, or in other languages.

For further details and general enquiries about this meeting, contact Ian Ford on 01255 686584.

DATE OF PUBLICATION: Wednesday, 14 April 2021

AGENDA

1 Apologies for Absence and Substitutions

The Committee is asked to note any apologies for absence and substitutions received from Members.

2 Minutes of the Last Meeting (Pages 1 - 6)

To confirm as a correct record, the minutes of the last meeting of the Committee, held on Thursday 25 March 2021.

3 Declarations of Interest

Councillors are invited to declare any Disclosable Pecuniary Interests or Personal Interest, and the nature of it, in relation to any item on the agenda.

4 Questions on Notice pursuant to Council Procedure Rule 38

Subject to providing two working days' notice, a Member of the Committee may ask the Chairman of the Committee a question on any matter in relation to which the Council has powers or duties which affect the Tendring District **and** which falls within the terms of reference of the Committee.

5 Report of the Internal Audit Manager - A.1 - Report on Internal Audit: March 2021 - April 2021 (Pages 7 - 16)

To provide the Committee with a periodic report on the Internal Audit function for the period March to April 2021.

6 Report of the Assistant Director (Finance & IT) - A.2 - Anti-Fraud and Corruption Strategy (Pages 17 - 36)

To present to the Audit Committee an updated Anti-Fraud and Corruption Strategy.

7 Report of the Assistant Director (Finance & IT) - A.3 - Audit Committee: Table of Outstanding Issues (Pages 37 - 46)

To present to the Committee the progress on outstanding actions identified by the Committee along with general updates on other issues that fall within the responsibilities of the Committee.

8 Date of Further Special Meeting of the Committee

To enable the Committee to formally agree the date of a further special meeting of the Committee in order to enable Members to consider the remaining items on the Committee's work programme namely:-

- (1) External Auditor's Audit Plan for the Year Ending 31 March 2021;
- (2) External Auditor's Certification of Claims and Returns Annual Report; and
- (3) Update on the Council's Corporate Risks.

The date being proposed for this meeting is Thursday 27 May 2021 with the meeting to commence at 10.30 a.m.

9 Exclusion of Press and Public

The Committee is asked to consider passing the following resolution:

“That under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of Agenda Item 10 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A, as amended, of the Act.”

10 Exempt Minute of the Meeting held on Thursday 25 March 2021 (Pages 47 - 48)

To confirm as a correct record the exempt minute of the meeting of the Committee held on Thursday 25 March 2021.

Date of the Next Scheduled Ordinary Meeting

The next scheduled ordinary meeting of the Audit Committee is to be held at 10.30 am on Thursday, 29 July 2021.

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 25TH MARCH, 2021 AT 10.30 AM
THE MEETING WAS HELD PURSUANT TO STATUTORY INSTRUMENT 2020/392.**

| | |
|---------------------------|--|
| Present: | Councillors Coley (Chairman), Alexander (Vice-Chairman), Fairley, King, Miles (except items 21 - 24), Placey and Steady |
| In Attendance: | Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Tim Clarke (Assistant Director (Housing and Environment))(items 21 and 22 only), Craig Clawson (Internal Audit Manager), Ian Ford (Committee Services Manager), Keith Durran (Democratic Services Officer), Emma Haward (Leadership Support Assistant) and Karen Hardes (IT Training Officer) |
| Also in Attendance | Lisa Clampin (Lead Partner – BDO LLP, the Council's appointed External Auditor) |

21. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were no apologies for absence submitted or substitutions on this occasion.

22. MINUTES OF THE LAST MEETING

It was moved by Councillor Alexander, seconded by Councillor Fairley and:-

RESOLVED that the Minutes of the last meeting of the Committee held on Thursday 25 February 2021 be approved as a correct record.

Further to Minute 17(1) – Internal Audit Plan Progress 2020/21 and at the request of the Chairman of the Committee (Councillor Coley), the Internal Audit Manager gave an update on progress made in relation to the Planning Enforcement follow-up audit and the Princes Theatre audit actions implementation. In addition, the Assistant Director (Housing and Environmental Health) updated Members on the progress made on the implementation of a new Housing Allocations IT system.

23. DECLARATIONS OF INTEREST

There were no declarations of interest made on this occasion.

24. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

There were no Questions on Notice on this occasion.

25. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - INTERNAL AUDIT PLAN 2021/22 AND MARCH 2021 PERIODIC UPDATE

There was submitted a report by the Council's Internal Audit Manager (A.1) which sought the Committee's approval for the Internal Audit Plan for 2021/22. The Draft Internal Audit Plan was before the Committee as an Appendix A to that report.

The Committee was reminded that Public Sector Internal Audit Standards required that the Internal Audit Manager -

1. Established a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals.
2. Had in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council's business, risks, operations, programmes, systems and controls.
3. Produced a plan that took into account the need to produce an annual Internal Audit opinion.
4. Considered the input of senior management and the Audit Committee in producing the plan.
5. Assessed the Internal Audit resource requirements.

It was reported that the 2021/22 Internal Audit Plan had been developed using a risk based approach, taking into account the Council's Corporate Objectives, Corporate Risks and Emerging Risks. A Risk Assessment process had also been undertaken on all auditable areas (the "Audit Universe") of the Council in order to enable the Internal Audit Manager to provide an opinion on the effectiveness of governance, risk management and internal control processes within the organisation and provide reasonable assurance to the Audit Committee.

Members were informed that existing knowledge of the auditable areas and historical data on operational processes within each service area had allowed for a practical assessment on whether a full audit, a leaner audit or a more balanced approach was required. Every audit within the Plan would include a section on the impact of COVID-19 on the service area rather than have a separate audit covering the entire organisation. In this way Officers could continually monitor the impact throughout the year and provide a more detailed level of assurance overall.

The Committee was made aware that discussions had been held with Management Team members individually and collectively. The feedback from Management Team had been taken into account and incorporated within the Plan presented to the Committee. The Committee now had the opportunity to input into the draft plan.

Members were reminded that the establishment for the Internal Audit function was currently 3.6 fte, however it had not operated at this level for some time. As reported previously two members of the Internal Audit Team had left the organisation leaving 3 fte currently working within the team. The Internal Audit Team had worked hard to deliver the 2019/20 audit plan whilst holding vacancies. Due to the organisation moving towards digitalisation and the Internal Audit Team already working paperless this had allowed the Team to stream line its processes and work smarter by targeting its resources and undertake 100% sample testing due to the availability of electronic data. It was therefore proposed that the Internal Audit Team remained with 3 fte whilst retaining the current budget to commission support from a third party for specialist audit days when needed.

The Committee was informed that the proposed Annual Audit Plan had been developed based on the current resource establishment and by using the Team's adaptation to new innovative techniques and leaner ways of working. The number of audit days

proposed was 450 which remained unchanged from the 2020/21 Audit Plan. The Plan had been created with the following in mind:-

- A leaner more practical audit plan had been developed using a risk based approach, knowledge of all operational processes within service areas, historical assurance opinions and an understanding of where procedural changes had occurred around the Council;
- A hybrid structure of both internal and external resource would provide additional resilience within the team as well as provide different experience, skills transfer for more junior staff and access to a hub of audit resource; and
- The impact of COVID-19 would be assessed within all auditable areas identified to ensure a consistent level of assurance could be provided.

The Committee was advised that the Plan would be kept under review during the year, in consultation with the Council's senior management, and taking account of changes to the Council's priorities, operations and risk. Changes to the Plan would be brought to the attention of the Committee for its approval.

The Committee also received the following update on progress made since the previous meeting of the Committee on the following completed audit:-

GDPR – Data Sharing Agreements

This audit was now completed and had received an overall audit opinion of Adequate Assurance. There had been one significant recommendation raised during the audit meeting the requirements to be reported to the Audit Committee, namely:-

Issue identified

Out of date Data Protection Policy

The current Data Protection Policy could be viewed as 'Out of Date' as it had originally been written in May 2018 as a response to GDPR, and it was intended that it be reviewed annually. As well as questions whether the Policy reflected current GDPR regulations and best practice since the implementation of the Act, it was considered to be beneficial to enhance or support the section on Information Sharing Agreements (ISA) or Data Sharing Agreements (DSA)

Agreed Action:

That the DPO would record all reviews of the Data Protection Policy in the amendment history on page 2 of that policy. A formal review would be undertaken every two years or as required due to a known requirement. A review would also be undertaken of the policy in line with the findings of the audit.

Following discussion, it was moved by Councillor Steady, seconded by Councillor Alexander and:-

RESOLVED that –

-
- (a) subject to the minor textual additions put forward by the Chairman of the Committee at the meeting, the Internal Audit Plan for 2021/22 be approved; and
- (b) that the existing arrangements for updating the Plan during the year, where necessary to reflect changing Authority activity and operational needs and to provide flexibility of service delivery, be continued, with significant amendments reported to the Committee as part of the periodic Internal Audit reporting arrangements.

26. REPORT OF ASSISTANT DIRECTOR (FINANCE & IT) - A.2 - THE AUDIT COMMITTEE'S WORK PROGRAMME 2021/11

There was submitted a report by the Council's Assistant Director (Finance & IT)(report A.2) which presented for approval the Committee's proposed work programme for the period April 2021 to March 2022. The work programme was before the Committee as an Appendix to the report.

Members were aware that, in addition to the regulatory and statutory activities undertaken by the Committee such as the Statement of Accounts, Corporate Governance and Risk Management, the Committee was also required to review and scrutinise:

- the work and performance of the Internal Audit function;
- the outcomes from the work of the Council's External Auditor; and
- progress made against audit recommendations and other items identified by the Committee.

Members were made further aware that, during the year, other matters apart from those set out above might be presented to the Committee for consideration. Given the on-going regulatory and statutory workload and the various additional activities undertaken by the Committee, any additional items that might arise would need to be considered against the proposed work programme and included for reporting at the appropriate meeting, or considered for inclusion in subsequent work programmes.

Although not included in the formal work programme, it was recognised that the Committee might wish to develop training opportunities, especially going into 2021/22 following the revised mandatory training requirements for members of the Committee. Such opportunities would either form part of future meetings or, where necessary, separate arrangements would be made.

The Committee was aware that there had been a significant impact on resources over the past year due to the on-going COVID 19 pandemic, which had had a knock-on effect on the timing of specific activities and associated reporting, so it had not been possible to present a number of items originally planned for this meeting of the Committee. However, in consultation with the Chairman of the Committee, it was proposed to include an additional meeting in April 2021 in order to enable those outstanding items to be completed and presented to the Committee as timely as possible, given that the next formal meeting after March 2021 would ordinarily be in July 2021.

It was reported that another impact from COVID 19 was the change in the timetable for the production and audit of the Council's Statement of Accounts. The Government had decided to implement this change on an initial two year period, which reflected their

initial response to the wider Redmond review recommendations. The change to the timetable was as follows:

| Key Activity | Existing Date | Revised Date |
|---|---------------|--------------|
| Publication date for Draft Statement of Accounts (Pre-Audit) | 1 June | 1 August |
| Publication date for Final Statement of Accounts (Audited) | 31 July | 30 September |

The Committee was informed that the above change could be accommodated within the existing timetable of meetings, but the Final Statement of Accounts would now be presented to the September meeting of the Committee instead of the July meeting of the Committee.

In addition to the above, the Council was still waiting for the Government's response to the wider Redmond review into the effectiveness of external audit. It was currently proposed to update the Committee as part of the Table of Outstanding Issues reports included within the work programme rather than it featuring as a stand-alone item. However, this would be reviewed once the Government had formally announced their response.

It was also reported that, as the year progressed, it might be necessary to review items on the work programme as some reports / activities and associated timescales could be subject to change or would need to be flexible, especially given the current impact of the coronavirus pandemic which might see disruption continue over a prolonged period of time. As appropriate, the Chairman of the Committee would be consulted on any significant changes to the work programme.

Having considered the proposed Work Programme it was moved by Councillor Fairley, seconded by Councillor Placey and:-

RESOLVED that the Audit Committee's Work Programme for 2021/22 be approved, subject to the Annual Review of the Anti-Fraud and Corruption Strategy being moved to a later meeting of the Committee from its originally scheduled meeting in January 2022.

27. **EXCLUSION OF PRESS AND PUBLIC**

It was moved by Councillor Miles, seconded by Councillor Alexander and:-

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of Agenda Item 8 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A, as amended, of the Act.

28. **REPORT OF THE ASSISTANT DIRECTOR (FINANCE & IT) - B.1 - RISK BASED VERIFICATION POLICY**

RESOLVED that, following the annual review for 2021, the Risk Based Verification Policy, as set out in Appendix A to the Officer report, be approved.

The meeting was declared closed at 11.33 am

Chairman

AUDIT COMMITTEE

22 APRIL 2021

REPORT OF INTERNAL AUDIT MANAGER

A.1 REPORT ON INTERNAL AUDIT: MARCH 2021 - APRIL 2021

(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period March 2021 – April 2021.

EXECUTIVE SUMMARY

- A total of 5 audits have been finalised since the previous update in March 2021. Nine audits remain in progress, six audits are in fieldwork phase and three audits are at 'Draft Report' phase.
- One audit in the period received an overall audit opinion of 'Improvement Required'
- The Internal Audit Team continues to support the Silver Cell and Community Hub in the COVID-19 Emergency Planning response. The impact on resourcing is marginal at this stage.

RECOMMENDATION(S)

That the contents of the report and its appendix be noted.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The Internal Audit function is operating within the budget set.

Risk

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

LEGAL

The Council has a statutory responsibility to maintain adequate and effective internal audit.

The Accounts and Audit Regulations 2015 make it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards and guidance.

OTHER IMPLICATIONS

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.
Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Public Sector Internal Audit Standards require the Acting Audit and Governance Manager to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.

INTERNAL AUDIT PLAN PROGRESS 2020/21

A total of five audits have been completed since the previous update to the Audit Committee in March 2021. Fieldwork has been completed on a further three audits with the draft report yet to be finalised. Fieldwork is ongoing on another six audits.

Three of the six audits at fieldwork stage are close to completion, therefore the majority of audit resource for the 2020/21 Internal Audit Plan will be used for the final three audits with the Revenues and Benefits Department.

Four of the five audits complete received a satisfactory level of assurance. One audit (Fleet Management) received an overall opinion of 'Improvement Required'.

Sufficient work will be completed prior to providing the Head of Internal Audit Annual Opinion in July 2021.

During this time the Internal Audit Team is also planning and scoping audits within the 2021/22 Internal Audit Plan for the coming financial year.

Quality Assurance – The Internal Audit function issues satisfaction surveys for each audit completed. In the period under review 100% of the responses received indicated that the auditee was satisfied with the audit work undertaken.

Resourcing

There has been no changes to the resources available to the Internal Audit Manager since the previous update in March 2021. The Internal Audit Plan is expected to be completed in order to provide the Head of Internal Audit Annual Opinion.

The Internal Audit Team continues to support the Silver Cell and Community Hub in the COVID-19 Emergency Planning response. The impact on resourcing is marginal at this stage.

Outcomes of Internal Audit Work

The standards require the Internal Audit Manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report nine audits have been completed and the final report issued. The Public Sector Internal Audit Standards require the reporting of significant risk exposures and control issues.

| Assurance | Colour | Number this Period | Total for 2020/21 Plan | |
|----------------------------------|-------------|--------------------|------------------------|-----------------------------------|
| Substantial | Green | 0 | 5 | |
| Adequate | Light Green | 4 | 9 | |
| Improvement Required | Yellow | 1 | 2 | |
| Significant Improvement Required | Red | 0 | 0 | |
| No Opinion Required | Grey | 0 | 4 | Four consultative reviews to date |

For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

Issues arising from audits completed in the period under review receiving an 'Improvement Required' opinion and requiring reporting to Committee are: -

Fleet Management

Fleet Management Policy

Issue identified;

There is no Fleet Management Policy in place which would set the standards and regulations for employees to comply with when using Council vehicles. There is a set of guidelines for staff to follow; however, they do not incorporate key legislative requirements and lack key processes and procedures to ensure adequate accountability and effective monitoring is in place, ensuring all operational requirements are recorded in one policy.

Agreed action;

It is recommended that a Fleet Management Policy be finalised, reviewed and communicated to ensure fleet operations and drivers are compliant with both legal and corporate requirements, effectively monitored and provide adequate Officer accountability.

Fleet Management Structure

Issue identified;

The Council has plans to appoint a Transport Manager with the relevant qualifications, who will have responsibility to manage all Council fleet.

Currently, the Officer acting up as Transport Manager is responsible for managing all Council vehicles, excluding Building Services vehicles.

Agreed action;

It is recommended that the Transport Manager has responsibility of all Council Fleet, including Building Services to mitigate the risk of vehicles being inadequately managed.

Departmental Vehicle Tracking

Issue identified;

Service Managers have use of the Hubio Tracking Software. This is a real time monitoring system, which should be used to monitor and manage vehicle use, to regulate the purpose of which Council fleet are being used for. Not all vehicles are able to be tracked due to the increased number of lease vehicles being used within the Building Services Team and Engineering Team as well as the tracking systems available not being used effectively as possible through system errors and irregular monitoring.

Agreed action;

All vehicles to be fit with Hubio trackers that can be removed and installed when lease vehicles are changed to ensure all vehicles being used by Council staff can be continuously monitored. There will be an additional cost to the service which is currently being explored.

Fuel Card System

Issue identified;

The majority of fuel cards are allocated to a vehicle rather than an employee, this allows flexibility to use different drivers for each vehicle. However this creates a lack of accountability if the fuel cards are abused and driver records are not kept up to date. Without restrictions in place regarding fuelling activity, it is difficult to monitor fuel consumption. Anything outside of business use, could be classified as a benefit and have further financial implications on the employee and the Council.

Agreed action;

Controlled fuelling processes and procedures to be included within the Fleet Management Policy which all drivers must agree to and follow ensuring that adequate accountability is in place

Both avenues of allocating to individual staff or vehicle to be explored regarding the allocation of fuel ID cards. Both processes will require improved supplementary processes to ensure adequate controls are in place.

Management Response to Internal Audit Findings – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Where appropriate follow up audits have been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -

| Status | Number | Comments |
|----------------------------|---------------|-----------------|
| Overdue more than 3 months | 0 | |
| Overdue less than 3 months | 0 | |
| Not yet due | 5 | |

BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix – 2020/21 Internal Audit Plan Progress Report

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| Tendring District Council Internal Audit | | | |
|--|--------------------------------|---|---------------------------|
| 2020/21 Internal Audit Plan Progress Report | | | |
| Audit Title | Status February 2021 | Audit Type | Audit Opinion |
| 2019/20 Carry Forward | | | |
| Health and Safety | Complete | Annual review of individual / multiple elements of HR & M | Adequate Assurance |
| Financial Resilience | Complete | Full review of Housing Allocations Service | Adequate Assurance |
| North Essex Garden Communities | Deferred (Agreed October 2020) | Identify the risks associated to the project and determine how TDC can manage, monitor and mitigate those risks | N/A |
| Key Systems / Key Financial Risk Areas | | | |
| Procurement | Fieldwork | To review the electronic changes to the internal control environment since COVID-19 | To Be Confirmed |
| Housing Benefits | Fieldwork | Different Techniques involved. Self-assessment, Root-cause analysis / Data Analytics and Assurance Mapping exercises until Universal Credit is adopted. | To Be Confirmed |
| Business Rates | Fieldwork | Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises. Analysis of Legislation changes and pooling arrangements may also be required | To Be Confirmed |
| Investment Planning | Complete | To review the Councils investment planning processes, return on investments and assess how the benefits are realised and recorded | Adequate Assurance |
| Corporate Governance | Complete | Assurance Mapping and Self-Assessments to be used within this audit. Interviews with Senior Management required to ascertain the culture of the organisation | Adequate Assurance |

| | | | |
|---------------------|------------------|---|------------------------|
| Council Tax | Fieldwork | Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises. | To Be Confirmed |
| Payroll | Complete | Data Analytics is the main audit technique used within this audit | Substantial Assurance |
| Treasury Management | Complete | Assurance Mapping, Self-Assessments and Data Analytics are the main techniques used | Substantial Assurance |
| Housing Rents | Complete | Root cause analysis / Data Analytics | Substantial Assurance |
| Cash Receipting | Complete | Root cause analysis / Data Analytics | Substantial Assurance |

| Other Services / Systems | | | |
|---------------------------------|-----------------|---|---------------------------|
| Parking Income | Complete | Review the income management processes and controls in place for Parking Income | Adequate Assurance |
| Risk Management | Complete | Required annually under PSIAS and Cipfa guidance | Substantial Assurance |
| Princes Theatre | Complete | To review the processes and controls in place for the management of the Princes Theatre. This will include income management, insurance arrangements and procurement | Improvement Required |
| Corporate Enforcement | Complete | Review of enforcement services across the Council to determine whether uniformity can be achieved within existing processes and controls and assess the efficiency of work programmes that may already be in place | Adequate Assurance |
| Asset Management | Complete | Audit scope to assess TDC assets and determine the effectiveness of income generation and maintenance schedules | Adequate Assurance |
| Transformation Programme | Allocated | Review of governance arrangements, decision making, cost / benefit analysis and benefit realisation | Consultancy |

| | | | |
|----------------------------------|--|---|----------------------|
| Fleet Management | Complete | To review the effectiveness of the Transport Management System and the processes and controls for managing and monitoring the Councils fleet of vehicles (owned and hired) | Improvement Required |
| Environmental Health | Fieldwork | Compliance with key legislation and effectiveness of processes and controls in place for managing environmental health issues | To Be Confirmed |
| Assurance Mapping | Complete | Identify all types of assurance required and achieved across the Council to develop an assurance map of public services provided by TDC. | Consultancy |
| Carbon Neutrality | Deferred (Agreed October 2020) | To assess the baseline data used by the Council for setting its Carbon Neutrality aims and objectives and review / assess the planning methodology and feasibility of achieving our aspirations | N/A |
| Computer Audit | | | |
| Digital Transformation Programme | Internal Audit Manager is part of the digital transformation delivery board | IT continues to be one of the biggest risk areas to all organisations. Governance arrangements and project delivery to be within scope | Consultancy |
| IT Governance | Draft Report | PSIAS expectation that this will be covered each year. | To Be Confirmed |
| IT Change / Patch Management | Fieldwork | To assess the IT functions processes and controls for change / patch management on IT infrastructure and software. | To Be Confirmed |
| Follow-Up Audits | | | |
| Planning Enforcement – Follow Up | Draft Report | Follow up of controls put in place from the 2019/20 Planning Enforcement Audit | To Be Confirmed |
| Northbourne Security Follow-Up | Support Service with implementation of internal controls required since previous audit | Follow up of controls put in place from the 2019/20 Northbourne Security Review | Consultancy |

| | | | |
|--|--------------|---|--------------------|
| Housing Allocations Follow-Up | Complete | To follow up on the agreed actions from the 2019/20 Internal Audit and assess the progress of implementation | Adequate Assurance |
| Further Audits Agreed by Audit Committee (October 2020) | | | |
| GDPR – Data Sharing Agreements | Complete | Due to the many different organisations now working together due to COVID-19 the audit is expected ensure that all new data shared has an adequate agreement in place | Adequate Assurance |
| Impact on Governance (COVID-19) | Draft Report | To review the impact that COVID-19 has had on the governance arrangements within the Council | To Be Confirmed |

Status Key

| | |
|---------------------|--|
| Unallocated | Audit in Audit Plan, but no work undertaken yet |
| Allocated | Audit is being scoped / has been scoped and awaiting commencement |
| Fieldwork | Audit in progress |
| Draft Report | Audit fieldwork complete, but Final Report not yet issued |
| Complete | Final Report issued and audit results reported to Audit Committee |
| Deferred | Audit was in Audit Plan, but will now be undertaken in a later year. Deferred audits agreed by Audit Committee |
| Delayed | Valid request from function being audited for audit to be undertaken later than proposed |

AUDIT COMMITTEE

22 APRIL 2021

REPORT OF ASSISTANT DIRECTOR (FINANCE & IT)

A.2 ANTI-FRAUD AND CORRUPTION STRATEGY

(Report prepared by Clare Lewis)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to the Audit Committee an updated Anti-Fraud and Corruption Strategy.

EXECUTIVE SUMMARY

- The Council's Anti-Fraud and Corruption Strategy was last updated in March 2020 and it remains subject to an annual review process.
- An amended strategy is attached as **Appendix A** which reflects a number of minor amendments emerging as part of the annual review process but remains based on CIPFA's Code of Practice on managing the risk of fraud and corruption as adopted by the Committee at its 22 March 2018 meeting.
- The updated strategy provides details of ongoing projects and provides a timescale for these to be finalised. Some delays have been unavoidable due to staff being re-deployed to other duties during 2020/21 due to COVID 19 related issues.

RECOMMENDATION(S)

That the Audit Committee approves the amended Anti-Fraud and Corruption Strategy as set out in Appendix A to this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

As a public body Tendring District Council is both required and expected to demonstrate a commitment to a fraud and corruption policy. This documents sets out the expectations of all individuals and organisations associated with it to act with integrity and that all Members and employees will demonstrate their commitment to the content in this policy.

The Council strives to maintain a robust response to fraudulent activity directed towards it which in turn protects the financial position of the Council that supports the delivery of the Council's priorities and objectives.

Although subject to future decisions relating to returning to offices, the Fraud and Risk team are looking at new COVID secure ways of rolling out the Fraud Awareness training planned for 2020/2021. These plans were put on hold due to COVID 19 related matters. Staff were re-deployed to other duties and the majority of the council's staff were mainly working from home. This training will now be rolled out after August 2021 via smaller "Teams" on line meetings. This is expected to be finalised by December 2021.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

Detecting and investigating potential fraud acts as a deterrent which protects public money. Also successful investigations and sanctions identify overpayments that are required to be repaid, which otherwise would fall as a potential cost to the Council.

There are no other direct financial implications associated with the Strategy. Any actions emerging from the Strategy that have a financial implication will be considered within the Council's wider financial framework and decision making processes.

Risk

The Council's approach to fraud is based on fairness and consistency and through the application of the Strategy the aim is to ensure that this can be demonstrated and therefore reducing the risk of challenge, damage to the Council's reputation and unsuccessful sanctions such as prosecutions.

Failure to take part in data matching exercises could also result in an adverse impact on the Council's reputation and may lead to increased external inspection / audit at additional cost.

LEGAL

Information is set out within the Strategy in terms of the various legal issues, legislation and regulations associated with the Strategy.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

The Strategy aims to deliver fairness, transparency and consistency to all customers and stakeholders.

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND CURRENT POSITION

To date the Council has operated an Anti-Fraud and Corruption Strategy which was last considered in 2020. The Strategy is subject to an annual review process which has recently been completed.

The amended strategy is set out in **Appendix A**. Amendments made since the last review are highlighted in grey / italic font. For completeness, any sections being removed have been retained for the purpose of reporting the final version back to the Committee, with the font being struck through and in a grey / italic font.

The Strategy continues to be based on Cipfa's code of practice on managing the risk of fraud and corruption. As its foundation, the Strategy sets out the Council's commitments along with the following key areas:

- Purpose, Commitment and Procedure
- Legislation and General Governance

- Definitions
- Standards, Expectations and Commitment
- Roles and Responsibilities
- Prevention
- Detection and Investigation;
- Resources Invested in Counter Fraud and Corruption

The intention is to continue to include the scope for prosecutions within the Anti-Fraud and Corruption Strategy itself and include the relevant framework against which prosecutions will be considered. These changes have been included within the 'Detection and Investigation' section of the strategy.

The strategy will continue to be subject to an annual review process including progress against identified actions and has therefore been included on the ongoing work programme of the Committee in 2021/22. It is acknowledged that through its application, the Strategy will evolve to reflect the various strands of work being developed within the Council, which will be included in future updates presented to the Committee.

Amendments to the Strategy also reflect the response to the COVID 19 pandemic where fraud risks unfortunately increase during such difficult times. Work remains on-going in terms of lessons learnt from the last 12 months and further changes to the Strategy are likely to be required, especially as relevant regulatory bodies are expected to publish updated anti-fraud and corruption guidance following the COVID 19 pandemic. Subject to the scale and timing of potential changes, a revised Strategy will be presented to the Committee during the year or form part of the annual review early in 2022.

Updates against the Council's Anti-Fraud and Corruption Strategy Action Plan are also included within **Appendix A**.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A - Anti-Fraud and Corruption Strategy (including action plan)

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Tendring
District Council



Anti-Fraud and Corruption Strategy

Updated *April 2021*

The basic elements of this Strategy deal with:-

- Purpose, Commitment and Procedure
- Legislation and General Governance
- Definitions
- Standards, Expectations and Commitment
- Roles and Responsibilities
- Prevention
- Detection and Investigation;
- Resources Invested in Counter Fraud and Corruption
- Summary

These elements are covered in detail in the remainder of this document and end with a summary statement.

When combined, these elements are intended to provide resilience against any attempted fraud and corruption activity.

Purpose, Commitment and Procedures

Tendring District Council is committed to :-

- take all necessary action to prevent fraud and corruption;
- make facilities available to aid detection of fraud and corruption;
- ensure prompt investigation and action.

The Council has adopted CIPFA's code of practice on managing the risk of fraud and corruption. (Audit Committee 22 March 2018), which this Strategy encompasses, including setting out the overall framework within which the Council will respond to fraud and corruption.

Therefore these commitments will be demonstrated through the Council's operation of an effective Anti-Fraud and Corruption strategy. This Strategy will be subject to an annual review which will be presented to the Council's Management Team and Audit Committee.

By adopting this strategy and via its annual review of the policy, the Council's Management Team:

- Acknowledges the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users;
- Acknowledges the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.

By adopting this strategy and via its annual review of the policy, the Council's Audit Committee:

- Acknowledges its responsibility for ensuring the effective management of fraud and corruption risks.
- Acknowledges the specific goal of ensuring and maintaining the Council's resilience to fraud and corruption

The Council expects Members and employees to set appropriate high standards through compliance with legal requirements, procedures, code of conduct and general good practice.

The Council will expect all suppliers, contractors and other service providers (whether individuals or organisations) with which it deals to act at all times with integrity and financial probity. To support this, the Council has Financial Procedure Rules, Procurement Procedure Rules plus a Procurement Strategy.

Legislation and General Governance

All relevant officers are expected to comply with appropriate legislation, codes of practice and corporate policies when executing duties in relation to fraud.

It is imperative that the following codes, legislation and policies are adhered to as part of all anti-fraud related activities undertaken within the Council:

- Human Rights Act 2000
- Local Government Finance Act 1992/*Local Government Finance Act 2012*
- The Council Tax Reduction Scheme (Detection of Fraud and Enforcement)(England) Regulations 2013
- Welfare Reform Act 2012
- Police and Criminal Evidence Act 1984
- Criminal Procedure and Investigations Act 1996
- Regulation of Investigatory Powers Act 2000
- Council's Health and Safety Policy
- Equality Act 2010
- General Data Protection Regulations (GDPR) 2018
- Bribery Act 2010

This is not an exhaustive list and therefore all officers should act in accordance with any appropriate legislation, corporate/departmental policies and codes of practice that are relevant to the anti-fraud activity being undertaken.

Definitions

Fraud

The term “Fraud” is commonly used to describe a wide range of dishonest behaviour such as deception, forgery, false presentation, theft, embezzlement, bribery and concealment of a material fact.

Fraud can be perpetrated by persons outside of the Authority as well as internally. Tendring District Council defines fraud as a dishonest action designed to facilitate gain or loss (personal or for another) at the expensive of the Council and its residents.

Corruption

Corruption is defined as “dishonest or fraudulent conduct by those in power” this is typically seen to involve bribery.

The Council looks to prevent, detect and investigate all aspects of possible corruption within its business.

Risk

The term “risk”, in the context of this Strategy, is identified as an action or inaction that could cause financial or reputation risk to the council.

The council promotes a positive ethos towards the identification of risk management across the council supported by the council’s internal audit team.

Standards Expectations and Commitment

Tendring District Council expects its officers and councillors to commit and abide by the 7 principles of public life, these apply to anyone who works as a public office holder.

Although these principles are set out within the Council’s Constitution, they are included within this strategy for completeness.

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of the public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of the public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of the public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

Honesty

Holders of the public office should be truthful.

Leadership

Holders of the public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Roles and ResponsibilitiesCouncillors and Elected Members

The roles and responsibilities are clearly defined for councillors in part six of the Council's Constitution entitled Members Code of Conduct. Members are expected to lead by example at all times maintaining the highest standards of probity, honesty and integrity and accountability in their actions. Adherence to Members code of conduct is overseen by the standards committee.

Employees

The expectation for employee's behaviour is set within the Council's Staff handbook and within other associated policies'. The Council supports the official Code of Conduct for Local Government Employees.

The policy states that - The public is entitled to demand of a Local Government employee of any grade the highest standard of integrity, ability and commitment to the ethics of public service and the interest of all members of the community.

Council employees are seen to be the first line of defence against fraud and corruption. Employees are expected to conduct themselves in ways which are beyond reproach, above suspicion and be fully accountable.

Managers must be prepared to establish and maintain systems of internal control, ensuring that the Council's resources are properly applied and focused in the right areas for which they were intended. Advice may be sought from Internal Audit on potential control issues.

If an employee believes that they need to raise a concern and are unable to do so with their manager they should use an alternative route to raise their concerns, it is suggested that they contact one of the following in the first instance:-

Chief Executive
Head of Department
Internal Audit Manager

Monitoring Officer
Section 151 Officer
Assistant Director of Partnerships

The *Internal Audit Manager* would normally be the first point of contact in accordance with Financial Procedure Rules. In certain circumstances, however it might be appropriate for the Police to be advised at the same time as Internal Audit and the Monitoring Officer is advised.

Matters can also be raised through *Public Concern at Work* (Website www.pcaw.org.uk). This is a registered charity whose services are free and strictly confidential. They can also be contacted on 020 7404 6609.

The Council has Procurement Procedure Rules, and Financial Procedure Rules to ensure that all employees who deal with financial matters do so in a controlled, proper and transparent way that accords with best practice. These documents are reviewed periodically to ensure they remain up to date.

The Council uses systems and procedures that incorporate internal controls. These controls include separation of duties, independent checks and authorisation restrictions to ensure that errors as well as impropriety are prevented. Financial Regulations require that all Heads of Department maintain systems and controls to a standard acceptable to the Chief Finance Officer.

Employees identified as having committed fraud against the Council will be subject to disciplinary action, civil action or criminal prosecution (or all of the afore mentioned) where deemed appropriate.

Employees are responsible for their own conduct and behaviour and are expected to assist and comply with an investigation. Failure to do so may be considered a breach of trust.

Internal Audit

The Council's internal audit team operate in accordance with the Public Sector Internal Audit Standards under section 4 of the Local Government and Housing Act 1989. Internal audit undertakes an annual programme of work, which is reported to the Audit Committee on a quarterly basis. Whilst it is not the primary function of the internal audit team to detect fraud, the internal audit actively must evaluate the potential for the occurrence of fraud and how the organisation manages the risk of fraud.

External Audit

External audit review the Council's effectiveness at identifying the risk of fraud within the organisation and preventing and detecting fraud within the organisation.

Corporate Fraud and Risk Team

The Council has established a dedicated Corporate Fraud Team who focus on providing a comprehensive anti-fraud service available to all service areas. The team will utilise all available methods to detect and investigate fraud and corruption within the Authority. This includes the use of data matching and intelligence led investigations where possible. The Fraud and Risk Manager is responsible for assessing the authority's counter fraud arrangements in consultation with the *Assistant Director of Finance and IT* and *Assistant Director of Partnerships*

Public Sector Partners

The Council will continue to work with other authorities to provide positive data matching results and ensure fraud and error is identified and corrected at the earliest opportunity

National Fraud Initiative (NFI)

The Cabinet Office took over responsibility for the NFI data matching process from the Audit Commission in 2015. This is an independent public body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high quality local and national services for the public. The NFI looks into a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit

process for audited and inspected bodies since 1998 and is currently run every two years. Additional data matches/exercises are available if required.

The National Fraud Initiative compares different sets of data such as payroll and benefit records, against other records held by the same, or another organisation, identifying errors in data recorded and potentially highlighting potentially fraudulent claims and payments. Any potential discrepancies identified have a full investigation carried out if felt appropriate.

The use of data for NFI purposes continues to be controlled to ensure compliance with data protection and human rights legislation.

The Fraud and Risk Manager is the Council's key contact and ensures that any NFI activity within the Council has the required action taken.

The National Anti-Fraud Network (NAFN)

Through NAFN the Council acquires data legally from a wide range of information providers in response to allegations of fraud and on-going investigations. NAFN will play a key role in ensuring the Council has effective lines of enquiry to ensure the Council maintains a robust intelligence gathering framework. The council's privacy notices advise customers how we will share their data.

Contractors

The Council expects all contractors it has dealings with to act with complete honesty and integrity in all dealings with the Council, its service users and residents. The Council expects the employees of contractors to report any suspicions or knowledge they may have in relation to fraud and/or corruption against the Council. We will seek the strongest available sanctions against contractors that commit fraud against the Council or who commit fraud against public funds. This expectation should be clearly stated in any contract.

Helpline for Employees

Whistle-blowers are protected by the Public Interest Disclosure Act 1998. All calls from employees are therefore treated confidentially. The Council has a whistleblowing policy and has a helpline for employees to bring attention to anything happening in the workplace that might be illegal, improper or unethical. The Council encourages employees to use the helpline to disclose any concerns in order that they can be dealt with. Any allegations will be fully investigated and, if substantiated, appropriate action will be taken in accordance with this policy. The council also has its own fraud hotline which can be used by staff and members of the public. fraud@tendingdc.gov.uk

Audit Committee

The remit of the Council's Audit Committee is set out in associated terms of Reference within the Council's Constitution and includes requirements to consider and monitor this strategy. They are also required to review the Council's risk management arrangements and seek assurances that action is being taken. They must also consider risk related issues and consider and monitor the strategy, plan and performance of the Council's Internal Audit Service. In addition the Committee is required to consider the strategy and plans of the Council's External Auditor.

Risk Register

The Council has a corporate risk register in order to identify, record, review and revise and manage key business risks. All risks have been evaluated and prioritised. The Council will ensure that fraud risks are routinely considered as part of its risk management arrangements.

The Risks of Fraud and Corruption

The Council acknowledges that there are many risks from fraud and corruption but has identified the following significant items:

- Reduced income from Council Tax/ Local Council Tax Support Scheme/*Business Rates*
- Reduced availability of social housing in respect of tenancy related matters
- Reduced income from business rates
- Misappropriation / misuse of grant income
- Uncompetitive pricing / reduced value for money from procurement activities
- Procurement
- Cyber Security Fraud

The Council will evaluate on an on-going basis the harm to its aims and objectives and service users that different fraud risks can cause. *This approach will apply to 'business as usual' activities of the Council but also specifically during times of prolonged periods of national or local emergencies such as COVID 19.*

Upon accepting office, following election, Members are required to comply with members' code of conduct which includes expected behaviours and declaration of interests. Interests are also expected to be declared during their time in office, should a change occur.

Prevention

One major preventative measure against fraud and corruption is to take appropriate steps when employing new staff to establish, as far as is possible, their previous history in terms of their propriety, integrity and honesty.

The Council makes all appropriate enquiries in respect of all staff regardless of whether they are permanent, temporary or on fixed-term contracts.

All employees are bound by the Local Government Code of Conduct and local code of conduct as set out in the Staff Handbook (various paragraphs) and other relevant policies and are subject without exclusion to the Council's Disciplinary Procedures. Employees must disclose any pecuniary interest in contracts or similar matters and must on no account accept any fees or rewards in respect of their employment by the Council other than their proper remuneration. Other matters such as secondary employment or the receipt of gifts and hospitality (in accordance with the Code of Conduct) must be properly registered.

Section 151 of the Local Government Act 1972 places a statutory responsibility on the Chief Finance Officer to ensure that proper arrangements are made for the administration

of the Council's financial affairs. The Council has adopted Procurement Procedure Rules, as well as using the councils Standard Financial Terms and Conditions to ensure proper contact management is carried out as well as complying with Financial Procedure Rules to ensure that all employees who deal with financial matters do so in a controlled, proper and transparent way that accords with best practice. These documents are reviewed periodically to ensure they remain up to date.

The Council uses systems and procedures that incorporate internal controls. These controls include separation of duties, independent checks and authorisation restrictions to ensure that errors as well as impropriety are prevented. Financial Regulations require that all Heads of Department maintain systems and controls to a standard acceptable to the Chief Finance Officer.

Risk assessments, covering fraud and other issues affecting the whole range of Council activities, is undertaken by Internal Audit who then carry out independent reviews to monitor the adequacy and effectiveness of internal controls and governance arrangements ensuring that there is appropriate departmental compliance.

It is evident, nationally, that an increasingly wide variety of frauds are being perpetrated. The larger frauds may involve the creation of multiple identities and false addresses, and involve different agencies. It is therefore becoming increasingly necessary to liaise with those other agencies, exchanging information, where possible and appropriate, to help prevent and detect such fraud. The Council is committed to ensuring that arrangements exist, and they are developed, to encourage the exchange of information with other agencies including:-

- other local authorities;
- government departments;
- police forces;
- The Cabinet Office including NFI - Data matching exercises;
- the National Anti-Fraud Network [NAFN];
- Essex Audit Group [EAG];
- Eastern Region Corporate Fraud (ERCF)
- Housing Benefit Matching Service [HBMS] run by the DWP

During prolonged periods of national or local emergency there are unfortunately many individuals and organisations who seek to take advantage of public bodies such as Local Authorities whilst they are responding to associated challenges and pressures. For a local authority, who provide a diverse range of services, attempted fraud can cover the large range of activities highlighted in the previous section but during national or local emergency situations they can become more targeted and sustained.

During these periods it is important for the Council to maintain its key prevention checks and controls and not be pressurised into acting outside of these important aspects of internal governance. Any individual should speak to their manager or one of the contacts

set out in this report if they feel that something being done would potentially increase the Council's exposure to the risk of fraud or corruption.

In addition to the above, the Council will identify, keep under review and disseminate as appropriate, guidance from all relevant bodies such as Government Departments, CIPFA, NAO, NFI as early as possible during a time of national emergency.

Detection and Investigation

Preventative systems, particularly internal controls within the Council have been designed to provide indications of fraudulent activity, and equally importantly, to deter potential fraudsters.

The responsibility to prevent and detect fraud and corruption lies with Management Team, Heads of Department, managers and all other employees of the Council as well as members of the public. Alert employees or members of the public are frequently the first to spot indications of fraud and corruption and prompt action by them enables effective detection to occur and appropriate action to be taken. The Council has a dedicated fraud hotline and email for all fraud related matters which could affect the Council and an on line reporting form. Details are fraud.hotline@tendringdc.gov.uk Tel 0800 169 7004

A significant proportion of fraud is discovered by chance or as a result of a "tip-off". Advice on this issue for employees and their managers can be obtained from the *Assistant Director of Finance and IT*.

Financial Procedure Rules require all Heads of Department to report all suspected fraud or similar irregularity to the *Internal Audit Manager*. Correct reporting is essential to the Council's anti-fraud strategy to ensure:-

- consistent treatment of fraud and corruption;
- proper investigation by an independent unit (Internal Audit / Fraud and Risk Manager);
- prompt implementation of appropriate investigative activity;
- optimum protection of the Council's interests.

Under associated legislation, Tendring is required to participate in National Fraud Initiatives [NFI] run by the Cabinet Office. Data will be provided by the Council and will be used for cross-system and cross-authority electronic data matching for the prevention and detection of fraud. Similar data exchanges are also required for housing benefit matching exercises run by the DWP.

The nature and extent of the allegations will determine the level and type of investigation that is undertaken. Internal Audit will work with management and other relevant agencies to ensure that allegations are properly, fairly and thoroughly investigated and subsequently reported upon. Where appropriate, maximum recoveries of any losses will be made by the Council.

Where the outcome of an investigation indicates misconduct on the part of an employee, the official disciplinary procedure will be invoked. In proven cases of misconduct this may lead to the dismissal of an employee and if appropriate the involvement of the Police.

If appropriate to do so, the Council may consider sanctions against customers, including prosecution, where it has been identified that fraud has been committed against the Council.

Any decision to prosecute can only be made where the relevant Head of Service has consulted with the Council's Legal Services Department.

Council tax

As detailed earlier council tax is deemed to be a high risk area and there are a number of regulations relevant to this such as :-

Regulation 3 of the Council Tax (administration and enforcement) Regulations 1992 allows the Local Authority to request information. This is required for them to ensure that Council Tax is being correctly calculated.

Regulation 11 of the Council Tax (administration and enforcement) Regulations 1992 requires a liable person to advise a Local Authority if an exemption is incorrect.

Regulation 12 of the Council Tax (administration and enforcement) Regulations 1992 allows the Local Authority to request information. This is required for them to ensure that an exemption is being correctly calculated

The council may consider the need to impose a financial penalty of £70. The penalty can be imposed for

- failing to notify a change in circumstances
- providing false information

If a further request has to be made for the information already requested then a second, higher, penalty (currently £280.00) may be issued. This higher penalty can be applied each time the request is repeated.

The Assistant Director of Finance and IT will review the requirement to issue financial penalties on an ongoing bases.

National Non Domestic Rates (NNDR)/Business Rates

The Local Government Finance Act 1988 introduced business rates in England and Wales from 1990.

On 1 April 2013 a new system of business rates retention began in England. Before April 2013 all business rate income collected by councils formed a single, national pot, which was then distributed by government in the form of formula grant. Through the Local Government Finance Act 2012, and regulations that followed, the government gave local authorities the power to keep up to half of business rate income and transfer half of it centrally, to central government.

As previously mentioned, during periods of national emergency, guidance is expected to be issued by relevant bodies given the increased risk of fraud and corruption during such times. The Council will need to consider and put in place as soon possible the necessary

arrangements that may be set out within the associated guidance. This will include record keeping, reporting and anti-fraud / assurance work.

Publication of Anti- Fraud and Corruption Activities of the Council

The Council will at least annually report on the anti-fraud and corruption work that it has undertaken during the year along with publicising this Strategy.

This aims to set out the Council's intentions in terms of any identified fraud and corruption committed against it, along with acting as a deterrent to those considering such actions against the Council.

The Council's processes aim to be resilient to the threats of fraud and corruption and are designed to deter and detect such actions if committed against the Council.

Resources Invested in Counter Fraud and Corruption

Given the Council's commitment to counter fraud and corruption as set out within this Strategy the following resources are deployed which are proportionate to the level of assessed risk:

Dedicated Fraud Team

As highlighted earlier in this Strategy, the Council has established a dedicated team whose focus is to provide a comprehensive anti-fraud service within the Council, who are also available to provide support to all departments. The Council has committed an on-going annual revenue budget in excess of £170k to support the work of this dedicated team.

Training

The Council recognises the importance of training and the response of employees throughout the Council in ensuring that its fraud and corruption strategy remains a continuing success.

In this respect the Council encourages training and regular development for all employees.

Effective investigation of fraud and corruption requires staff that are properly trained and regularly updated in all aspects of investigative work. Provision will be made for this and the training of Internal Audit staff will be geared towards achievement of that objective. Fraud Investigation Staff are now required to be professionally trained in all aspects of Corporate Fraud. General staff training will also incorporate appropriate references to the need for staff to be alert and vigilant in their day to day activities.

Internal Audit Days

The Internal Audit team include within their annual plan, fraud related work such as the assessment of fraud prevention controls and therefore in effect, a number of audit days are included within their overall annual work programme.

During periods of prolonged national or local emergency, additional resources may need to be identified to respond to an increase in fraud risks, to deliver key actions set out in associated guidance or as part of the Council's wider emergency planning / business continuity response. Such arrangements will need to be considered by a Senior Officer at Assistant Director level or above and will need to balance the direct response to the emergency with the maintenance and operation of existing controls and governance arrangements to ensure the Council is not unreasonably exposed to increased risks.

Summary

A sophisticated network of systems and procedures is in place to assist with the prevention and detection of fraud and corruption. The Council is determined that these arrangements will be kept up to date, with regard to future developments in preventative and detection techniques, to limit fraudulent or corrupt activity that it may suffer. *The strategy also acknowledges and addresses the potential increase in fraud risks during prolonged periods of national or local emergencies.*

To help achieve this objective the Council maintains a continuous review of all associated arrangements through its Management Team, Procurement and Financial Procedure Rules, Officer and Member Codes of Conduct and internal and external audit arrangements.

Financial Procedure Rules require all Heads of Department to keep their departmental procedures under continuous review, reporting any newly identified risks referring proposed changes in procedures to the Section 151 Officer.

This strategy and its effectiveness will be monitored by Internal Audit, as part of their ongoing activities and any issues that arise will be reported to the Council's Section 151 Officer, Management and the Audit Committee as appropriate.

Performance against this Strategy and its effectiveness will be included as part of the annual review process which will be reported to Management Team and the Audit Committee accordingly.

In addition, where actions have been identified to contribute to the performance and effectiveness of this Strategy, these will be included as an Appendix and included as part of the annual review process. Appendix A sets out the current actions identified as part of developing this Strategy.

References

Whistleblowing Policy - <http://intranet/Interact/Pages/Content/Document.aspx?id=2148>
 Officer Code of Conduct - <http://intranet/Interact/Pages/Content/Document.aspx?id=7977>
 Staff Handbook - <http://intranet/Interact/Pages/Content/Document.aspx?id=2162>
 Constitution Members Code of Conduct -
<http://intranet/interact/Pages/Content/Document.aspx?id=3155>

Anti-Fraud and Corruption Strategy Action Plan – 2021/2022

| Action | Responsible Officer | Update |
|---|-------------------------------|---|
| <p>Review the consideration of fraud risks as part of the Council's general risk management arrangements.</p> <p>Explore the establishment of a separate Fraud and Corruption risk register for inclusion in future revisions to the Fraud and Corruption Strategy.</p> | <p>Fraud and Risk Manager</p> | <p><i>This work will continue to be undertaken in consultation with internal audit during 2021/2022 following a delay due to additional fraud risks identified due to Coronavirus during 2020/2021.</i></p> |
| <p>Evaluate the harm that different fraud risks can cause in the context of Council objectives and service users.</p> | <p>Fraud and Risk Manager</p> | |
| <p>Review the Council's Procurement Rules to ensure that the anti-fraud and corruption requirements placed upon contractors and those providing services to the Council are robust enough</p> | <p>Fraud and Risk Manager</p> | <p><i>This was unfortunately delayed due to resources being used in other duties related to the Coronavirus during 2020/2021 but will be given priority in 2021/2022.</i></p> |
| <p>General anti-fraud and corruption training to be provided to officers along with raising awareness of the Strategy within the Council and the commitments and expectations contained within it.</p> | <p>Fraud and Risk Manager</p> | <p><i>All Fraud Awareness training planned for 2020/2021 was unfortunately postponed as not thought appropriate while dealing with Coronavirus as the majority of staff were working from home or re-deployed to other roles. Plans have already been made to roll this out virtually after August 2021 and this will be finished by December 2021.</i></p> |

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AUDIT COMMITTEE

22 APRIL 2021

REPORT OF ASSISTANT DIRECTOR (FINANCE & IT)

A.3 AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to the Committee the progress on outstanding actions identified by the Committee along with general updates on other issues that fall within the responsibilities of the Committee.

EXECUTIVE SUMMARY

- A Table of Outstanding Issues is maintained and reported to each meeting of the Committee. This approach enables the Committee to effectively monitor progress on issues and items that form part of its governance responsibilities.
- Updates are set out against general items, external audit recommendations and the Annual Governance statement within **Appendix A, B, and C** respectively.
- To date there are no significant issues arising from the above, with work remaining in progress or updates provided elsewhere on the agenda where appropriate.

RECOMMENDATION(S)

That the Committee notes the progress against the actions set out in Appendices A to C.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The existence of sound governance, internal control and financial management practices and procedures are essential to the delivery of Corporate priorities supported by effective management and forward planning within this overall framework.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

There are no significant financial implications associated with monitoring of the agreed actions or responses. If additional resources are required then appropriate steps will be taken including any necessary reporting requirements.

Risk

The Table of Outstanding Issues is in itself a response to potential risk exposure with further activity highlighted to address matters raised by the Audit Committee.

LEGAL

There are no direct legal implications associated with this report.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

This report does not have a direct impact although such issues could feature in future recommendations and actions. Any actions that may have an impact will be considered and appropriate steps taken to address any issues that may arise.

PART 3 – SUPPORTING INFORMATION

TABLE OF OUTSTANDING ISSUES

The Table of Outstanding Issues has been reviewed and updated since it was last considered by the Committee in February 2021.

There are currently 3 main elements to this report as follows:

- 1) **Appendix A** – Provides updates against general items raised by the Committee.
- 2) **Appendix B**- Provides updates against recommendations made by the Council's External Auditor.
- 3) **Appendix C** – Provides updates against the 2020/21 Annual Governance Statement Action Plan.

In terms of items 1) and 2) above, there are no significant issues to raise, with actions remaining in progress. In terms of item 3), there continues to be a significant impact from COVID 19 in terms of progressing the actions as quickly as originally anticipated. However, activity remains in progress against all actions and work will continue during 2021/22, as required.

Other issues

Redmond Review

At its last meeting in February 2021, the Committee considered the Government's initial responses to the Redmond review into the effectiveness of external audit.

As mentioned in February, many of the Government's responses indicated that they will either be liaising with the relevant stakeholders or will be considering some recommendations further, with their full response expected in the Spring.

There have been no further announcements from the Government, but once received they will be reported to the Committee at the earliest opportunity.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Table of Outstanding Issues (April 2021) – General.

Appendix B – Table of Outstanding Issues (April 2021) – External Audit Recommendations.

Appendix C - Table of Outstanding Issues – (April 2021) - Update against 2020/21 Annual Governance Statement Actions

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AUDIT COMMITTEE - Table of Outstanding Issues (April 2021) - GENERAL

| Governance Principle and Issue | Recommendation / Issue | Lead / Service | Progress /Comments | Status – Target Date |
|--|--|--|---|-----------------------------|
| Developing the entity's capacity, including the capacity of its leadership and the individuals within it. | <p>Following the consideration of the Anti-Fraud and Corruption Strategy in last year, it was resolved that:</p> <p>The Head of Democratic Services & Elections be requested to consider including training for Members on anti-fraud and corruption measures as part of the Councillor Development Scheme.</p> | Assistant Director Governance | It is currently planned to include this item within the Member's Training plan that is currently being developed. | Review in July 2021 |
| Managing risks and performance through robust internal control and strong public financial management | Following an update from the Assistant Director Housing and Environment on a number of Housing related matters at the Committee's meeting in March, it was agreed to keep under review the ongoing issue relating to Council House void periods. This is especially timely given the review / changes to the governance arrangements proposed by the relevant Service in response to this issue. | Assistant Director Housing and Environment | At the present time, the Service continues to take forward a number of ideas / activities in response to the current voids position. It is proposed to fully implement a number of changes during 2021/22 and an update will be presented to the July meeting of the Committee. | Review in July 2021 |

AUDIT COMMITTEE - Table of Outstanding Issues (April 2021) – EXTERNAL AUDIT RECOMMENDATIONS

| Area | Recommendation and Agreed Action | Lead / Service | Progress /Comments | Status – Target Date |
|--|--|----------------|---|--|
| Logical access controls – number of super users Page 42 | <p>The Council's IT systems identified that there are a large number of super users (users with privileged access rights) on a number of IT systems.</p> <p>There were 28 super users for the Capita system, 10 super users for the Northgate system and 6 super users for the Agresso system.</p> <p>It was considered that 2-3 super users per system would provide a robust level of IT security, and having a large number of super users could jeopardise system security.</p> <p>AGREED ACTION - Assess the number of super user access rights granted in each of the IT systems and take necessary actions to reduce the number of super users to an acceptable low level.</p> | | <p>Work remains in progress in consultation with System Sponsors / Administrators to seek the right balance in terms of super user numbers with issues such as system responsibilities / process area coverage and absence cover.</p> <p>In terms of more general password security, it is worth highlighting that as part of on-going cyber security work, the Council undertook a full cybersecurity review of all of its user and administrator passwords in February to ensure full compliance with its highly complex password regime.</p> | End of May 2021 |
| Use of Resources | <p>As set out on page 28, we identified some significant amount of carry forward each year from the planned projects of revenue and capital items, which indicates an issue of deliverability of planned projects.</p> <p>As set out on page 28-29, there is a risk that reserves are not being held at the optimum level, given that number of them have not moved notably in recent years.</p> | | <p>1. Work is underway to review a range of projects and initiatives along with implementing additional capacity to resource a review into accelerating the delivery of projects during 2021/22. The first element of providing this additional capacity will be</p> | <p>Resource Capacity by end of April 2021</p> <p>Delivery Capacity - Update by</p> |

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|--|---|--|--|---|
| | <p>AGREED ACTIONS:</p> <p>1. Assess the ongoing viability of planned projects and take actions such that they can be delivered within a reasonable time and minimise the carry forward.</p> <p>2. Assess, at least once every two years, the appropriateness of the levels of individual reserves and their continued validity based on factors such as historic utilisation rates, associated risk / sensitivity analysis and their underlying purpose and release any excess reserves.</p> | | <p>finalised during the second half of April when the required resources input is in place.</p> <p>2. This action will be incorporated into the budget setting cycle from 2022/23 onwards.</p> | <p>end of July 2021</p> <p>By November 2021</p> |
|--|---|--|--|---|

AUDIT COMMITTEE - Table of Outstanding Issues (April 2021) – ANNUAL GOVERNANCE STATEMENT ACTIONS 2020/21

| Governance Principle & Issue | Required Action(s) | Update / Additional Comments |
|--|--|---|
| Carried Forward and Updated from 19/20 | | |
| <p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> <p>Ensuring compliance of the Council's governance arrangements through Project board reviews.</p> <p>Utilising the Council's systems to implement best practice for drafting, reporting and decision making</p> | <ul style="list-style-type: none"> • Review of project outcomes being undertaken by the Project Board to support future decision making and delivery • Commence the roll out of the functionality of Modern.gov over a phased approach in 2020/21. | <p>Both of these actions will be considered as part of the respective Service's key priorities and actions in 2021/22 with a further formal update planned for July.</p> |
| <p>Developing the entity's capacity, including the capacity of its leadership and the individuals within it.</p> <p>Ensuring the Council has the appropriate structures in place to support delivery of the Corporate Plan following the Senior Management restructure.</p> | <ul style="list-style-type: none"> • Finalise the operational capacity review and implement any recommended and approved staffing restructures. | <p>This action is included as a standing agenda item on the regular Assistant Director meetings with actions underway in collaboration with HR, to deliver a prioritised / phased approach to this key activity during 2021/22.</p> |

| New and Updated for 20/21 | | |
|--|---|--|
| <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Managing risks and performance through robust internal control and strong public financial management</p> <p>By strengthening the linkages between the Corporate Plan priorities and the Council's investment plans along with review of the longer term impact of COVID-19</p> <p>45</p> | <p>As part of the Back to Business and Recovery Plan:</p> <ul style="list-style-type: none"> • Undertake a corporate review of the Council's operational assets to prioritise spending from an associated reserve over the next few years; • to develop an investment plan during 2020/21 which will be directly linked to the Council's budget and evolving financial position and supported by the reprioritisation of budgets / existing funding and/or as part of the long term forecast; and • conduct an audit review in relation to the effectiveness of the Council's response to the COVID-19 including <i>a review of the lessons learnt from the Council's response and</i> longer term consequences. | <p>The Back to Business action plan was agreed by Cabinet at its 19 February meeting.</p> <p>A review into existing projects and initiatives remains in progress, which is linked to the implementation of additional capacity to support delivery as highlighted above. The on-going workload associated with the Council's response to the COVID 19 pandemic has unfortunately continued to have an impact, but given the update within Appendix B, the additional capacity that will shortly be in place will enable the necessary progress to be made over the coming weeks / months.</p> <p>Updates against this action will be included in the regular reports of the Internal Audit Manager – Actions remain in progress and outcomes are planned to be presented to the Committee in July.</p> |
| <p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p> | <ul style="list-style-type: none"> • Prepare an Action Plan for approval by both the Cabinet and Council to form part of the Council's Policy Framework | <p>A Climate Change Action Plan was agreed by Full Council on 24 November 2020.</p> |

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| <p>To set out the Council’s vision following the Council’s Climate Emergency declaration of the Council’s activities being ‘carbon neutral’ by 2030.</p> | | |
| <p>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>Ensure the Local Code of Corporate Governance and key policies and procedures are up to date.</p> | <ul style="list-style-type: none"> • Review of the Council’s Equality and Diversity strategy, policies and procedures | <p>Both of these actions will be considered as part of the respective Service’s key priorities and actions during 2021/22.</p> |
| <p>Ensuring openness and comprehensive stakeholder engagement</p> <p>Establishing a corporate framework to support community engagement</p> | <ul style="list-style-type: none"> • Developing the Council’s approach and adopting principles for community engagement. | |

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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