



## AUDIT COMMITTEE

<b>DATE:</b>	<b>Monday, 25 April 2022</b>
<b>TIME:</b>	<b>10.30 am</b>
<b>VENUE:</b>	<b>Committee Room - Town Hall, Station Road, Clacton-on-Sea, CO15 1SE</b>

### MEMBERSHIP:

<b>Councillor Coley (Chairman)</b>	<b>Councillor Miles</b>
<b>Councillor Alexander (Vice-Chairman)</b>	<b>Councillor Placey</b>
<b>Councillor Fairley</b>	<b>Councillor Steady</b>
<b>Councillor King</b>	

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For further details and general enquiries about this meeting, contact Ian Ford Email: [iford@tendringdc.gov.uk](mailto:iford@tendringdc.gov.uk) or Telephone on 01255 686584.

DATE OF PUBLICATION: Tuesday, 12 April 2022

## 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 - 10)**

To confirm and sign as a correct record, the minutes of the last meeting of the Committee, held on Thursday 31 March 2022.

### **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: January to March 2022 (Pages 11 - 30)**

To provide the Committee with a periodic report on the Internal Audit function for the period January 2022 to March 2022.

### **6 Report of Assistant Director (Finance & IT) - A.2 - Anti-Fraud and Corruption Strategy (Pages 31 - 48)**

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 49 - 58)**

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 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 the consideration of Agenda Item 9 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.”*

**9**     **Exempt Minute of the Meeting held on Thursday 31 March 2022 (Pages 59 - 60)**

To confirm and sign as a correct record the exempt minute of the meeting of the Committee held on Thursday 31 March 2022.

### **Date of the Next Scheduled Meeting**

*The next meeting of the Audit Committee is provisionally scheduled to be held in the Committee Room, in the Town Hall, Station Road, Clacton-on-Sea at 10.30 a.m. on Thursday 30 June 2022.*

## **Information for Visitors**

### **FIRE EVACUATION PROCEDURE**

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Your calmness and assistance is greatly appreciated.

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,  
HELD ON THURSDAY, 31ST MARCH, 2022 AT 10.30 AM  
IN THE COMMITTEE ROOM, AT THE TOWN HALL, STATION ROAD, CLACTON-  
ON-SEA, CO15 1SE**

<b>Present:</b>	Councillors Coley (Chairman), Alexander (Vice-Chairman), Miles, Placey and Steady
<b>In Attendance:</b>	Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Mark Westall (Head of Customer and Commercial Services), Keith Simmons (Head of Democratic Services and Elections), Carol Magnus (Organisational Development Manager), Craig Clawson (Internal Audit Manager), Karen Townshend (Executive Projects Manager (Governance)), Debianné Messenger (Work Based Learning Manager) and Matt Cattermole (Communications Assistant)

[Note: Anastasia Simpson (Assistant Director (Partnerships) was able to contribute to the meeting remotely through the use of the Microsoft Teams platform]

**27. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were submitted on behalf of Councillors Fairley and King. No substitutes were appointed. Councillor Miles also apologised for being unable to attend the meeting until 11.10am.

**28. MINUTES OF THE LAST MEETING**

The Minutes of the last meeting of the Committee held on Thursday 27 January 2022 were approved as a correct record and signed by the Chairman.

In response to questions, the Committee was advised that an update on the implementation of the new Planning Enforcement Policy (Minute 25 of 27 January 2022 refers) would be part of the follow up work by Internal Audit and reported to a future meeting of this Committee. The Committee was further advised that the Council had opted in to the appointed person arrangements made by the Public Sector Audit Appointments following the recommendation of this Committee (Minute 26 of 27 January 2022 refers) and the approval of Council.

**29. DECLARATIONS OF INTEREST**

There were no declarations of interest made on this occasion.

**30. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38**

There were no Questions on Notice on this occasion.

**31. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - INTERNAL AUDIT PLAN 2022/2023**

The Committee considered a report of the Internal Audit Manager (report A.1) which sought its approval of the 2022/23 Internal Audit Plan, as required by the Public Sector Internal Audit Standards.

It was reported that the 2022/23 Internal Audit Plan had been developed using a risk based approach, taking account of the Council's Corporate Objectives, Corporate Risks and Emerging Risks. The plan had been collated based on the information gained from liaising with Directors, Heads of Service and departments in order to target those areas that could benefit from an independent review of processes and procedures to determine potential efficiency gains and improved technology/software requirements or if the function had not been audited for a substantial period of time due to it being considered of lower risk historically. .

Members were made aware that the establishment for the Internal Audit function was currently four full time equivalents (fte) as a recent restructure now meant there were four full time members of staff with the part time Audit Technician post having being changed to a full time post. That post was due to be advertised and, all being well, subsequently appointed to. In response to questions, the Internal Audit Manager advised that he considered the total direct budget for the service for 2022/23 (in the sum of £178,930) was sufficient and that he hoped the vacancy referred to would be filled by the time of this Committee's meeting in June 2022.

The level and range of coverage was considered sufficient for the Internal Audit Manager to be able to provide an annual opinion on the Council's assurance framework.

The Committee was informed that the proposed plan had been developed based on the current resource available and the team's adaptation to innovative and leaner ways of working. The number of audit days proposed was 450 which remained unchanged from the 2021/22 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.*

A detailed breakdown of the proposed Audit Plan was included in Appendix A to the report. The plan provided an outline of the work currently proposed to be undertaken during the 2022/23 financial year. In order to continue to provide a proactive and flexible approach, the Plan was considered to be 'indicative' of the work currently intended. The Internal Audit Plan needed to be flexible in order to ensure that Internal Audit resources were directed where they were most needed, and to add as much value as possible to the organisation.

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.

Therefore the Plan was considered to be, in effect, a rolling programme of work, rather than being specific to one year, whereby any audits scheduled, but incomplete at the end of any financial year would roll forward and be completed in the new financial year.

In reviewing the allocation in the Internal Audit Plan to “Partnerships –External Health Funding”, the Assistant Director (Partnerships) advised the Committee that a number of Health Memoranda of Understanding (MOUs) had been agreed with the NHS North East Essex Clinical Commissioning Group (CCG) to support activity to address the wider determinants of health. Cabinet have given approval to enter into these MOUs. In summary, the following had been agreed:

£900K Healthy Housing  
£750K Physical Activity  
£200K Health Inequalities  
£43K Community Safety

At this stage the acceptance of the above funding has been agreed and details of individual projects to be charged against those sums was still to be agreed with the CCG.

The Internal Audit Manager also advised that, from the range of internal audit work being undertaken, and which the impact of COVID on that service would form part of that audit, an overall report would be possible capturing the impact of COVID on the Council. This was welcomed by Members of the Committee. They also welcomed the opportunity for Internal Audit to consider the impact of changes in legislation on the Council and the assessment of risks; and how to mitigate those risks.

**RESOLVED** that –

- (a) the Internal Audit Plan for 2022/23 be approved; and
- (b) 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 any significant amendments reported to the Committee as part of the periodic Internal Audit reporting arrangements.

**32. REPORT OF ASSISTANT DIRECTOR (PARTNERSHIPS) - A.2 - RESPONSE TO REPORT OF OFSTED FOLLOWING INSPECTION OF CAREER TRACK**

The Committee considered a report of the Assistant Director (Partnerships) (report A.2) which provided it with an overview of the organisation’s improvement actions following the Ofsted inspection of Career Track undertaken between 3<sup>rd</sup> and 5<sup>th</sup> November 2021.

It was reported that Career Track had had its first full inspection by Ofsted between 3<sup>rd</sup> and 5<sup>th</sup> November 2021. Career Track had previously had a successful Ofsted Monitoring Visit (a more ‘light touch’ inspection in June 2019). The full report following the November Inspection had been published on 24<sup>th</sup> December 2021 and was attached as Appendix A to the Officer report. The findings of the report had graded Career Track as ‘Requiring Improvement’. Although this was a disappointment there had been much that was positive in the report as it had contained a detailed section about things that were being done well and it had been especially complimentary about the dedication and care of the team for the apprentices and about the commitment the apprentices

showed towards their learning and development. The emphasis was now on what was needed to make things better.

Members themselves referenced the many positive comments about Career Track set out in the Ofsted report.

The Development Plan, as attached at Appendix B to the Officer report, took each of the five inspection categories in turn and stated what was being planned to address each area. The document identified the key milestones and progress by using a RAG (Red, Amber and Green) system.

The Council's initial response activity had focussed on setting the foundations and getting them in place. This had involved amending the hours and workload of the Training Assessment Team Leader so that she had been freed up to dedicate time to policy and curriculum development with the introduction of the 'OneFile' system. To enable this to happen, a temporary Training Assessment Officer role had been created for 30 hours per week until the end of July 2022. That person had taken over the apprenticeship caseload from the Training Assessment Team leader. More widely, the staffing resource of Career Track was considered sufficient for the numbers of apprentices progressing with the service. Obviously, it would continue to be monitored and, if numbers of apprentices grew, further staffing resource may be required to match the call on the service.

Members were informed that the services of a specialist company known as SDN (Strategic Development Network) were being utilised for their professional help and advice for policy and curriculum development. SDN were supporting Career Track with consultants/professionals who had also worked alongside and trained Ofsted Inspectors.

As previously stated, the service was rolling out the use of 'OneFile', a training software package for the administration and management of apprenticeships. OneFile was used by many apprenticeship providers as it supported the learners more effectively and enabled the provider to better monitor and ensure delivery of the curriculum. Effective roll out of that package would play a significant role in addressing the Ofsted concerns regarding curriculum, Safeguarding, Prevent and British Values training.

The Committee was reminded that the contract for this Council (under the name of Career Track) to provide apprenticeship training rested with the Education & Skills Funding Agency (ESFA). This Council had an allocated account manager within the ESFA and the Work Based Learning Manager had a monthly meeting with him to discuss actions and progress towards meeting the improvements required by Ofsted. The ESFA account manager had approved the development plan and the steps currently being taken.

The Committee was made aware that a Development Group had been formed to monitor the work and ensure that the targets set against the Ofsted report were being met. The Development Group was chaired by the Deputy Leader of the Council, Councillor Carlo Guglielmi (in his role as Portfolio Holder with the responsibility for Career Track), and the membership of the Group also included the Chief Executive; the Assistant Director (Partnerships); the Internal Audit Manager and the Executive Projects Manager (Governance). The Work Based Learning Manager and Organisational Development Manager reported to this Group. In the next few weeks this Development



Group would be converted into a new Governance Board for Career Track. The Committee was advised of proposals to supplement the membership of the proposed Governance Board with representation from local employers and from the apprentices themselves. Members commented on the need to ensure the capacity of Board Members, along with the balance of skills within its membership, was appropriate for the role of the Board.

The Assistant Director (Partnerships) also confirmed that oversight of the Career Track service was provided by the Council's Human Resources and Council Tax Committee and by Cabinet through reports to them.

**RESOLVED** that the Audit Committee -

(c) notes the report, the findings of the Ofsted inspection and the success of Career Track over the years; and

(d) endorses the Development Plan and the actions currently being taken.

**33. REPORT OF ASSISTANT DIRECTOR (PARTNERSHIPS) - A.3 - TENDRING CARELINE: RECOVERY AFTER IMPROVEMENT NOTICE FROM TEC SERVICES ASSOCIATION**

The Committee considered a report of the Assistant Director (Partnerships) (report A.3) which informed it of the recovery actions taken by Tendring Careline after an improvement notice had been issued by the Technology Enabled Care Services Association (TSA) following their last audit of the Careline service operated by this Council.

Members were informed that Tendring Careline had been established in 1987 and had been a member of the TSA since 2010. That organisation was the national body of carelines across the UK and, although membership was not mandatory, it offered the most widely recognised accreditation for the telecare industry. Membership of the TSA also included the equipment suppliers used by carelines. The Tendring Careline had been accredited by the TSA since 2012. In order to be accredited, each Careline service must pass an annual audit by the TSA in which 13 modules were assessed. In September 2021 this Council's Careline service had been found to be compliant in 12 of those modules but had been issued with an improvement notice for the thirteenth, namely, Technology Enabled Care Monitoring. The full audit report was attached at Appendix A to the Officer report.

It was reported that the Technology Enabled Care Monitoring module within the TSA audit was an assessment of how quickly incoming calls to Tendring Careline were handled by the Control Centre Operators. In order to be passed as compliant the Careline staff should answer 97.5% of all calls within 60 seconds and, in any event, 99% of all calls within 180 seconds. The September 2021 audit of Tendring Careline had found that: *'KPI's for calls answered within 60 seconds have only been achieved for 2 months out of the last 18 months. KPI's for calls answered within 180 seconds have been missed 6 times in the last 18 months'*.

Officers felt that there were mitigating circumstances for those statistics. Firstly, the Covid-19 pandemic had had a great impact on staff resources. Between April 2020 and June 2020 numerous Control Centre Operators had caught the virus and had had to

self-isolate and numerous others had been considered to be 'vulnerable' and had also had to stay at home. At this point in time Tendring Careline had been operating on an old analogue call handling platform which meant that all Operators had to be physically present in the Control Centre which was a relatively small space with no windows and no fresh air circulating so it would have been likely that the virus could be transmitted. The decision had subsequently been taken to close the Control Centre and deploy a new digital call handling platform. This had enabled the Careline Operators to work from home but it had taken many months of online training for the Operators to get back up to speed on the new platform and, in addition, there had also been various problems with staff using the wifi available in their own homes whereby the wifi would 'drop-out' and calls could not therefore be answered.

The Committee was made aware that throughout the months April 2020 until April 2021 the service had continued to see staff resources stretched and that there had been times when it had not been possible to have enough trained staff online in order to meet the KPI's. It was also noted that call volumes had also increased during this time as the service had seen more frequent, and longer, calls from its vulnerable service users. A recruitment campaign had been initiated in September 2020 with new members of staff joining at the beginning of 2021 but the speed of training that was possible online had meant that the Council was not able to put those new recruits onto the rota until May 2021.

Members were advised that the second mitigating factor was the contract with Provide CIC and the addition of service users from the Essex County Council (ECC) telecare contract. Tendring Careline had been contracted to supply out-of-hours call monitoring services to Provide CIC since 2014 (between 6pm and 8am Monday to Friday, and all weekend and bank holidays). Early in 2021 Provide CIC, with Tendring Careline as a sub-contractor, had been successful in bidding for the newly let ECC Telecare contract which had started in July 2021. This contract had added 2,500 new service users that had needed to be monitored from day one and the addition of more service users on a daily basis.

The size of the contract and the speed that new service users were being added had contributed to Tendring Careline not being able once more to meet the TSA call handling KPI's. A restructure of the Control Centre Operators had been implemented in October 2021 and further recruitment had been undertaken but it had become clear that Tendring Careline would not be able to manage the Provide CIC contract and maintain the TSA call handling KPIs.

#### Recovery Plan

The Committee was informed that there were three actions that had been taken to ensure that Tendring Careline was able to meet the call monitoring KPIs and thus retain its TSA accreditation, namely:-

- 1. Provide CIC had given notice that the contract with Tendring Careline would end on 19<sup>th</sup> April 2022. This would immediately relieve the pressure on the Control Centre Operators as they would be only be monitoring circa 5,000 service users instead of the current 13,300. There was no intention to reduce staffing as it was imperative that Tendring Careline could meet its obligations to its service users.*
- 2. Call volumes would be monitored on a monthly basis to ensure the service had enough Control Centre Operators to meet the KPIs.*

*3. An additional bank of Casual Control Centre Operators was being recruited to ensure there was sufficient cover for sickness and holidays.*

It was reported that this recovery plan had been submitted to the TSA and accepted on the proviso that call handling KPIs were met after April 2022. The TSA had confirmed the Council's accreditation for the period until 24 June 2022. At that point Tendring Careline would be audited again as part of the annual cycle but the audit was likely to focus on the call monitoring area of compliance.

In addition, an internal 'Improvement Monitoring Group' was to be created to confirm that any action plans were put in place and checked regularly to ensure compliance. This group would include the Portfolio Holder and senior officers from the Audit, Finance and Partnerships teams.

The Head of Customer and Commercial Services responded to a question to say that he considered the Business Continuity Plan for the service was now more robust using the learning from the last two years.

During the discussion of this item, the Head of Customer and Commercial Services advised of the position whereby BT/Openreach had intended to end the analogue telephone system by 2025 as it rolled out digital telephone lines across the country. It had recently announced a pause in that plan. The issue with the plan for telecare providers such as Careline was that electricity outages generally did not affect the analogue telephone lines whereas they were catastrophic for digital telephone lines. As such, robust arrangements need to be in place to support those who were telecare customers to protect them when using digital telephone lines in the event of an electricity outage. For a while now, Tendring Careline had been deploying alarms for its new customers which included a small battery backup and a SIM card so that, in the event of an electricity outage, the customer could still activate the alarm and contact Careline using those back-up capabilities.

The dedication of the team delivering services through the Careline service was commented upon by members of the Committee.

**RESOLVED** that the Committee notes the contents of the report and requests Officers to create a recovery action plan.

**34. REPORT OF ASSISTANT DIRECTOR (FINANCE & IT) - A.4 - AUDIT COMMITTEE WORK PROGRAMME FOR 2022/2023**

The Committee considered its proposed work programme covering the period April 2022 to March 2023 which had been prepared and continued to reflect the significant element of regulatory / statutory activity required, along with other associated work, which fell within the responsibilities of the Audit Committee.

The need for the work programme of the Committee to include updates on the Career Track and Careline matters reported to this meeting (Minutes 32 and 33 refer respectively) was referred to in the consideration of this matter.

The Chairman also drew attention to the delays being experienced in receiving External Audit reports. Written explanations from the External Audits in relation to those delays

should be submitted to the Committee's meetings where they occur so that they can form part of the public record.

**RESOLVED** that the proposed Work Programme for 2022/23 be approved, updated for the matters considered earlier at this meeting and referencing the need for External Audit statements where delays in reporting from them occurred and that the Programme be implemented accordingly.

**35. REPORT OF ASSISTANT DIRECTOR (FINANCE & IT) - A.5 - CORPORATE RISK UPDATE**

The Committee considered the updated Corporate Risk Register, which had last been submitted to it in September 2021.

Members noted that the Corporate Risk Management Framework had remained unchanged at this time though a review of the framework had unfortunately been delayed and would now be reported to the Audit Committee in June 2022.

The table set out below detailed all amendments to the Risk Register since it had last been considered by the Committee in September 2021:-

<b>Risk Register Item</b>	<b>Amendments / Comments</b>
New Risks Identified	None
Risks Removed	None
Risk Scores Amended	<b>Item 6b - Disconnection from PSN Network</b> – inherent risk score reduced from 20 to 12, due to end of lifecycle.
Risk under review	None
Risks Amended	<p><b>Item 1a - Failure to effectively manage assets</b> – update on main text.</p> <p><b>Item 1b - Catastrophic IT network failure</b> – change in service delivery target, increased from 85% to 90%.</p> <p><b>Item 1c - Ineffective communication / management of information</b> – update on main wording relating to cybersecurity.</p> <p><b>Item 1d - Ineffective Cyber Security Physical and Application (software) Based Protection Management</b> – updates to main wording relating to cyber security initiatives.</p> <p><b>Item 2d - Ineffective delivery of Transforming Tending project</b> – update on main wording relating to</p>

	<p>main office site work being completed.</p> <p><b>Item 5a - Financial Strategy</b> – Current action wording updated</p> <p><b>Item 6b - Disconnection from PSN Network</b> - change in wording to reflect the inherent risk being reduced. End of lifecycle.</p> <p><b>Item 9a - Ineffective Emergency Planning</b> – change to main wording and change of responsible officer.</p> <p><b>Item 9b - Ineffective Business Continuity Planning</b> – update to main text.</p>
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At its meeting held in September 2021, two further potential emerging risks had been highlighted to the Committee, namely:

- *Shortage of Global Supplies*
- *Failure to Deliver Key Contracts*

In terms of the second point, a report had been considered earlier in the meeting in respect of the Careline Service.

In terms of the first point, it was reported that this had continued to present a significant risk, especially in respect of computer processing chips and the impact from on-going global events. However, this continued to be managed via earlier procurement planning and remaining alert to market conditions.

The Committee was advised that the Fraud and Risk Team continued to oversee the Council's Risk Management supported by the Council's Internal Audit Team. The table below set out the work currently being undertaken:-

<b>Agreed Action</b>	<b>Current Position</b>
Management Team to promote the importance of operational risk management within the organisation and ensure that Senior Managers implement a process for identifying and mitigating risks in coordination with the Corporate Fraud and Risk Manager.	The Fraud and Risk Manager continues to work with Management Team to effectively promote the importance of operational risk management within the Council, and continues to attend management team meetings (via Teams) on a quarterly basis and provides monthly updates for any urgent matters identified.
One to one meetings will continue to take place between Senior Managers and the Corporate Fraud and Risk Manager to identify and record key operational risks within their service areas. Support to be provided by Internal Audit if required	These one to one meetings have commenced, but have not been fully completed due to time constraints and officers prior commitments. This matter will be reported to Audit Committee at a later meeting.

Follow Up Item

Agreed Action	Current Position
Arrange Risk Management training for all departments across the council	Risk Management training was carried out by the Fraud and Risk Manager in October 2021. This training was not suitable to be rolled out to all departments and alternative training is currently being negotiated with a Risk Management provider that will meet the council's requirements, with a view to rolling this out in 2022.
Review carried out relating to the effectiveness of the current control measures in place to identify inherent risk.	This review is still ongoing and a report will be brought before the Audit Committee at a later meeting.

During the discussion of this item, specific comments were made by the Committee members to the need for Councillors to adopt practices to support the measures to protect the Council from a catastrophic IT network failure. These included using the Council's own email address provided to them and the IT kit for connecting to the Council's network.

**RESOLVED** that the updates provided to the current Corporate Risk Register be noted.

**36. EXCLUSION OF PRESS AND PUBLIC**

It was moved by Councillor Coley, 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 11 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.

[Note: Following the passing of this resolution, and before proceeding, the Chairman of the Committee confirmed with officers that the live broadcast and recording of the meeting had ended.]

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

**RESOLVED** that, following the annual review for 2022, the Risk Based Verification Policy, as set out in Appendix A to item B.1 of the Report of the Assistant Director (Finance & IT), be approved.

The meeting was declared closed at 12.04 pm

**Chairman**

## AUDIT COMMITTEE

25 APRIL 2022

### REPORT OF INTERNAL AUDIT MANAGER

#### A.1 REPORT ON INTERNAL AUDIT – JANUARY 2022 - MARCH 2022

(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 January 2022 – March 2022.

##### EXECUTIVE SUMMARY

- A total of 6 audits have been finalised since the previous update in January 2022. Seven audits remain in progress at fieldwork stage.
- One audit in the period received an overall audit opinion of 'Improvement Required'
- An annual self-assessment of the Internal Audit Team has been conducted by the Principal Auditor against the Public Sector Internal Audit Standards (PSIAS). Where it is considered that a standard has not been met or partially met, this has been recorded to form a Quality Assurance Improvement Programme (QAIP) for the Audit Committee to review.

##### RECOMMENDATION(S)

- (a) That the contents of the report be noted; and
- (b) That the Quality Assurance Improvement Programme be agreed.

#### 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 Internal Audit 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, a report that is used to inform the Annual Governance Statement.

#### **INTERNAL AUDIT PLAN PROGRESS 2021/22**

A total of six audits have been completed since the previous update to the Audit Committee in January 2022. Fieldwork is ongoing on another six audits. We currently have audits on Depot Operations and Depot Waste Management in the audit plan. Initially when we adopted the audit plan we were unsure of the level of work needed for both of those reviews which is why two separate audits were set up. After initial discussions it is now felt that the two audits can be merged and reported under one title of Depot Operations as the areas are linked and it will save on time with regards to Officer meetings and reporting arrangements.

Five of the six audits completed received a satisfactory level of assurance. One audit (Careline) received an overall opinion of 'Improvement Required'.

Progress on all audits in the 2021/22 Internal Audit Plan is evidenced in Appendix A.

Sufficient work will be completed prior to providing the Head of Internal Audit Annual Opinion in June 2022.

During this time the Internal Audit Team is also planning and scoping audits within the 2022/23 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

The Internal Audit Team have opted out of the 30 day consultation period required when a restructure takes place. This will allow the team to begin the recruitment process for the vacant Audit Technician post in the coming weeks.

### 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 2021/22 Plan	
Substantial		1	4	
Adequate		3	12	
Improvement Required		1	1	
Significant Improvement Required		0	0	
No Opinion Required		0	6	Six 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: -

### **Careline (Internal Audit completed February 2022)**

#### ***Strategic Direction of Careline***

Issue identified;

In 2021, Careline won the contract to provide local Careline out of hours' coverage for Essex County Council (managed by Provide), using its established team and building on work already undertaken for them.

During the audit, it became apparent that the service struggled to provide the expanded contractual service required and consistently underperformed call response times, with the major contributing factors being the availability of trained officers and increasing volume of calls.

Risk:

If the contract is exited without due attention to detail and evaluating all options, there is considerable financial and reputational risk to the council which could affect budget performance and future effectiveness and integrity of the Careline service.

*Agreed action;*

*Following the cessation of the contract, it would be timely to review the strategic direction of the service, especially considering the operational and staffing issues and difficulties of fulfilling larger contracts.*

*For the short term, the service will concentrate on exiting the Provide contract in a professional manner, including continuing liaison meetings and ensuring all data and GDPR obligations are carried out as required.*

*Subsequently, the service will be reviewed and future strategic direction decided. Current options include a pivot to organic growth from private users, smaller contracts and continuing to work with Provide in other capacities. There are also other options to explore, including integration of some healthcare services.*

*Any options or direction chosen should be undertaken in consultation with, senior management, the Portfolio Holder and the appropriate committee.*

### **Management of Careline Debtors**

#### Issue identified:

Service users should pay on a monthly basis, using a direct debit mandate. Where funds are unable to be taken, the council's debtors procedure is initiated and a series of up to three letters are sent until payment is made.

Should no payment be received, then the debt is returned to the department for further decision and action.

Currently, there is only a very ad hoc process in place and no scheduled monthly action. A spreadsheet is maintained and updates added by the officer managing the debt. The spreadsheet shows that several months can elapse between contacts with the debtor, and follow up is not always prompt.

This has led to a build-up of debt, some quite long term.

#### Risk:

Without managing debtors, there is risk of payments not being collected at the due time, or at all, which has an adverse financial and resource impact.

If long term debtors are not managed, it could lead to the position of unfairly allowing some users to continue to use the service for no charge, while the majority continue to pay.

*Agreed action;*

*Outstanding debts are to be reviewed and actions taken to progress a resolution and substantially reduce the outstanding amount.*

*Options may include write off, further chasing or review supply of service in the event of longer term non-payment. In the latter, there needs to be a formal process developed where especially vulnerable users are concerned.*

*In addition, a new process involving a responsible officer will be introduced to monitor and manage ongoing outstanding debtors on a consistent regular basis, once the Corporate Debtors Policy process of automated debt management letters has been exhausted and the debt returned to the department.*

The service have developed a Careline Recovery Plan (Appendix B) which incorporates the actions highlighted above as well as more operational actions identified during the audit. The recovery plan has been reviewed and approved by Senior Management ready to be progressed and implemented.

**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	1	Planning Enforcement Policy – Now added to the table of outstanding actions since the last update from the Acting Director (Planning).
Overdue less than 3 months	0	
Not yet due	2	

#### **Quality Assurance Improvement Programme (QAIP)**

As discussed at the January 2022 Audit Committee, the Internal Audit function are required to undertake an annual self-assessment against the Public Sector Internal Audit Standards (PSIAS). This assessment is then used to create a Quality Assurance Improvement Programme (QAIP) which we use for continuous improvement of the service.

Due to resource limitations the Internal Audit Manager was unable to undertake this assessment for the January 2022 Audit Committee and requested that it be deferred to a later date. The assessment has now been completed by the Principal Auditor and the attached QAIP (Appendix C) has been reviewed and updated.

The review identified that a number of actions have been completed and therefore are compliant with the standards particularly around staff training and experience. As our Auditor has completed her apprenticeship and is now a qualified Internal Audit Practitioner with over two years' experience it was felt that the experience of the current team is sufficient to meet those standards and therefore have been removed from the QAIP.

The actions relating to aligning Internal Audits assessment of risk with the Councils risk management framework remains ongoing with further work needed at a departmental / operational level.

Actions in the QAIP relating to 'Proficiency' remain unchanged. We remain a small team and we are continuing to do the best we can to meet those standards with limited resources. It has been identified that although all members of the team have had training in fraud detection historically, it may be worthwhile to refresh our knowledge base.

A new action has also been identified relating to policy and procedures. The Internal Audit Manual has not been updated since 2017. Although the main body of the manual is still relevant it will need to be updated to reflect changes in software usage and audit techniques for future staff training.

#### **BACKGROUND PAPERS FOR THE DECISION**

Audit Reports

#### **APPENDICES**

Appendix A – 2021/22 Internal Audit Plan Progress Report  
Appendix B – Careline Action Plan  
Appendix C – Quality Assurance Improvement Programme

<b>Tendring District Council Internal Audit</b>			
<b>2021/22 Internal Audit Plan Progress Report</b>			
<b>Audit Title</b>	<b>Status Jan 2022</b>	<b>Audit Type</b>	<b>Audit Opinion</b>
<b>Key Systems / Key Financial Risk Areas</b>			
<b>Procurement</b>	<b>Fieldwork</b>	<b>To review the Councils compliance with procurement rules for works or services of value which require a tender exercise</b>	To Be Confirmed
Housing Benefits	Fieldwork	Different Techniques involved. Likely to include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises until Universal Credit is adopted.	To Be Confirmed
National Non Domestic 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
Main Accounting System	Fieldwork	To review the Councils Main Accounting System which includes management accounting processes and budget monitoring and reporting	To Be Confirmed
<b>Corporate Governance</b>	<b>Complete</b>	<b>Assurance Mapping and Self-Assessments to be used within this audit. Interviews with Senior Management required to ascertain the culture of the organisation</b>	<b>Substantial Assurance</b>
<b>Council Tax</b>	<b>Complete</b>	<b>Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises.</b>	<b>Adequate Assurance</b>
<b>Payroll</b>	<b>Complete</b>	<b>Data Analytics is the main audit technique used within this audit</b>	<b>Adequate Assurance</b>

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	Adequate Assurance
Accounts Receivable	Fieldwork	To review the income management processes involved for collecting income within the Accountancy department and service departments	To Be Confirmed
Banking	Complete	To review the internal control environment for the management of the Councils bank accounts. This audit will include an assessment of the management of the Corporate Credit Cards	Substantial Assurance
Health and Safety	Fieldwork	Spot checks on service area's to ascertain compliance with H & S recommendations	To Be Confirmed
<b>Other Services / Systems</b>			
Pre and Post Employment Checks	Complete	To review pre and post-employment checks of staff and the different legislative and regulatory requirement for the many different roles within the organisation	Adequate Assurance
Risk Management	Complete	Required annually under PSIAS and Cipfa guidance	Adequate Assurance
Bereavement Services	Complete	To review the processes and controls in place for the management of the crematorium and cemetery. To advise and consult on the strategic direction of the service	Adequate Assurance
Housing Repairs and Maintenance	Fieldwork	To assess the internal control environment for the reactive maintenance for the in house team and the external contractors undertaking works	To Be Confirmed

<b>Careline</b>	<b>Draft Report</b>	<b>Undertake Internal Audit of Careline Services and assess the internal control environment and capacity to deliver services</b>	<b>To Be Confirmed</b>
Transformation Programme	Allocated	Review of governance arrangements, decision making, cost / benefit analysis and benefit realisation	Consultancy
Waste Management – Northbourne Depot	Allocated	Review Waste Management procedures within the Councils Depot	To Be Confirmed
Planning Development	Complete	To review Planning Development processes and ensure that the Council are complying with all relevant legislative and regulatory requirements	Adequate Assurance
Building Control	Complete	To review the effectiveness of the Building Control service and the management of operational services, strategic priorities and income management	Adequate Assurance
Depot Operations	Allocated	To review day to day operations of the depot, overall culture in line with corporate responsibilities and follow up on any outstanding security issues for the depot and its associated satellite compounds	To Be Confirmed
Carbon Neutrality	Allocated	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	To Be Confirmed
Strategic Housing	Allocated	To review and assess the services progress in delivering key strategic objectives and obligations	To Be Confirmed

Performance Management	Complete	To review the Councils performance management processes and procedures at a strategic and operational level	Adequate Assurance
<b>Computer Audit</b>			
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	Consultative Review
IT Governance	Allocated	PSIAS expectation that this will be covered each year.	To Be Confirmed
Information / IT Security	Allocated	To review the Councils policies and procedures for ensuring that information and IT security assets remain secure and protected	To Be Confirmed

### Status Key

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



**Careline Action Plan**

**(Internal Audit completed in February 2022)**

Issue / Risk	Agreed Action	Additional Comments	Action Owner / Target Date
<p>In 2021, Careline won the contract to provide local Careline out of hours' coverage for Essex County Council (managed by Provide), using its established team and building on work already undertaken for them.</p> <p>During the timescale of the audit, it became apparent that the service struggled to provide the expanded contractual service required and consistently underperformed call response times, with one of the major contributing factors being the availability of trained officers.</p> <p>If the contract is exited without due attention to detail and evaluating all options, there is considerable financial and reputational risk to the council, which could affect budget</p>	<p>For the short term, the service will concentrate on exiting the Provide contract in a professional manner, including continuing liaison meetings and ensuring all data and GDPR obligations are carried out as required.</p> <p>Subsequently, the service will be reviewed and future strategic direction decided. Current options include a pivot to organic growth from private users, smaller contracts and continuing to work with Provide in other capacities. There are also options to explore, including integration of some healthcare services.</p> <p>Whatever options are chosen, one of the first targets will be renewed accreditation with the industry standards, TSA.</p>	<p>A financial review is now underway to identify the financial impact from exiting the Provide Contract along with the options going forward. This will include a review of the necessary capacity to meet the call handling KPI's.</p> <p>Work remains on-going in terms of the hand-over of data with the Provide which is due to be completed during April</p> <p>TSA accreditation has been secured until June 2022 on the basis that Careline is able to attain the call monitoring KPI after 19<sup>th</sup> April 2022.</p> <p>Also in order to ensure the service is able to spot changes in call volumes (and the capacity needed to answer them) a monthly report has</p>	<p>Anastasia Simpson</p> <p>15/08/2022</p>

<p>performance and future effectiveness and integrity of the Careline service.</p> <p>TSA KPI's need to be met. This requires sufficient capacity to answer the incoming calls or physically respond if necessary</p>		<p>been created on the call handling system.</p>	
<p>Service users should pay on a monthly basis, using a direct debit mandate. Where funds are unable to be taken, the Council's debtor procedure is initiated and a series of up to three letters are sent until payment is made.</p> <p>Should no payment be received, then the debt is returned to the department for further decision and action.</p> <p>Without managing debtors, there is risk of payments not collected at the due time, or at all, which has an adverse financial and resource impact.</p> <p>If long term debtors are not managed, it could lead to the</p>	<p>Outstanding debts to be reviewed and actions taken to progress these and substantially reduce the outstanding amount.</p> <p>Options may include write off, further chasing or review supply of service if longer term non-payment. In the latter event, there needs to be a formal process developed where especially vulnerable users are concerned.</p> <p>In addition, a new process involving a responsible officer will be introduced to monitor and manage ongoing outstanding debtors on a consistent regular basis, once the Corporate Debtors Policy</p>	<p>An up to date list of all debtors over 3 months is being created.</p> <p>Investigation and conversations with service users have begun.</p> <p>Those debtors that cannot afford to pay the monthly fee will be referred to Essex County Council for a free or subsidised service.</p> <p>Pending the recruitment of further administration resources the Head of Service will assume the role of SRO and manage the debt processes.</p>	<p>Anastasia Simpson</p> <p>16/05/2022</p>

<p>position of unfairly allowing some users to continue to use the service for no charge, while the majority continue to pay</p>	<p>process of automated letter has been exhausted and the debt returned to the department.</p>		
<p>It is considered best practice to reconcile between the Council's accounting system and the active Careline users. This is especially necessary as the two systems are not electronically linked and the direct debit mechanisms are independent of the Careline user database.</p> <p>Reconciling the two systems ensures only users set up on Careline and making payments receive the service.</p> <p>Without ensuring users are both paying and on Careline database, there is risk that they could be paying for service which they do not receive (and possibly rely on) or receiving a service which they are not paying for. Depending on which element is incorrect, this could be</p>	<p>Monthly reconciliations to be introduced between Careline and Agresso, in line with best practice elsewhere within the council.</p> <p>This will ensure the user system and payment system are in alignment and only users paying the subscription are receiving the service.</p> <p>There may be an option to involve IT to semi-automate the process.</p> <p>Once the reconciliation is completed this will be e-mailed to a senior officer for approval and the reply saved within a designated drive, as is common practice for other reconciliations.</p>	<p>Officers are currently exploring the opportunities for an automated system to be introduced, which will require conversations with our software supplier.</p>	<p>Anastasia Simpson</p> <p>16/05/2022</p>

considered a reputational risk (especially if it resulted in a failed call out) or financial risk (adverse financial impact).			
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***The above actions are being delivered / monitored via regular meetings chaired by the Chief Executive and attended by the Portfolio Holder for Housing (including Careline) along with other relevant Senior Officers. An operational Officer Group has also been established which includes the Head of Internal Audit.***

## Public Sector Internal Audit Standards – Quality Assurance and Improvement Programme

### Tendring District Council – Self Assessment – April 2022

PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
Core Principles					
Provides Risk Based Assurance	Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessments?	The Internal Audit Team undertakes audits based on the risk matrix set by Internal Audit and agreed by the Audit Committee. However, the risk matrices for Internal Audit and Risk Management are not fully aligned due to differences in operational and strategic risk assessments therefore there are some occasions where there may be a difference of opinion on risk assessments undertaken between departments and Internal Audit.	High	To work with the Risk Manager, Senior Management and the Audit Committee to get a better understanding of the Councils risk appetite and better align the risk matrices between Internal Audit and Risk Management  Craig Clawson  September 2022	Partially compliant

PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
Code of Ethics					
Competency	<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <ul style="list-style-type: none"> <li>• Only carrying out services for which they have the necessary knowledge, skills and experience?</li> <li>• Performing services in accordance with the PSIAS?</li> <li>• Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</li> </ul>	<p>The Internal Audit Team is made up of two experienced Senior Officers and one training Auditor therefore it is not always possible to ensure that all Audits are carried out by Officers with adequate skills, knowledge and experience. However, all audits will have been supervised by a senior officer and quality checked prior to completion. We try to ensure that all members of the team are given as much training as possible in the areas that it is felt most needed through our performance management process.</p>	Low	<p>Role requires continuous training to ensure auditors perform at highest level of competency and use latest industry knowledge and techniques. Because of this, this will likely stay Partial on an ongoing basis.</p> <p>Craig Clawson</p> <p>Ongoing</p>	Partially compliant

**A.1 APPENDIX C**

<b>PSIAS Ref (Checklist Ref)</b>	<b>Conformance with the Standard</b>	<b>Comment</b>	<b>Priority</b>	<b>Action Required / Responsible Officer / Date</b>	<b>Status</b>
Attribute Standards					
Independence and Objectivity					
1130 Impairment of Independence or Objectivity	Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?	As we are a small team we aren't always able to rotate Auditors as regularly as we would like and therefore the risk of familiarity is always a factor. However, there are enough independent assessments throughout the audit process to ensure that all Auditors have not been bias and have carried out their role as independently and objectively as possible.	Low	No action required. It is felt that enough mitigating controls are in place to reduce the risk.	Sufficiently compliant
1130 Impairment of Independence or Objectivity	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	Where a material number of days are required for Internal Audit to provide consultancy services the Audit Committee are updated and a change to the Audit Plan is requested. If resource is required to support a service through consultancy which does not have a material effect on the Audit Plan then the Internal Audit Manager will approve the work to support the service using days already agreed within the Audit Plan.	Low	No action required. It is felt that enough mitigating controls are in place to reduce the risk.	Sufficiently compliant

**A.1 APPENDIX C**

<b>PSIAS Ref (Checklist Ref)</b>	<b>Conformance with the Standard</b>	<b>Comment</b>	<b>Priority</b>	<b>Action Required / Responsible Officer / Date</b>	<b>Status</b>
Proficiency and Due Professional Care					
1210 Proficiency	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Although auditors aware of fraud risk and have had previous ad hoc training, there has been nothing recent of substance	Low	Fresh training to be explored and ongoing updates to be provided  Craig Clawson  September 2022	Partially compliant
1210 Proficiency	Do internal auditors have sufficient knowledge of key information technology risks and controls?	As above. We also have access to third party Internal Audit Services that can offer specific IT audits if required.	Low	No action required. It is felt that enough mitigating controls are in place to reduce the risk.	Sufficiently compliant
1210 Proficiency	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	As above. We have also changed the way in which we work over the past couple of years to ensure that assisted audit techniques and data analysis become fundamental to audits we undertake.	Low	No action required. It is felt that enough mitigating controls are in place to reduce the risk.	Sufficiently compliant



**A.1 APPENDIX C**

<b>PSIAS Ref (Checklist Ref)</b>	<b>Conformance with the Standard</b>	<b>Comment</b>	<b>Priority</b>	<b>Action Required / Responsible Officer / Date</b>	<b>Status</b>
Performance Standards					
Managing the Internal Audit Activity					
2040 Policies and Procedures	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	The Audit Manual has not been reviewed and updated since 2017.  The vast majority of the manual remains relevant, but there are some sections which need reviewing (software sections, for example) and amending.	Low	Manual to be reviewed and updated to ensure it reflects current working practices and remains in accordance with PSIAS  Craig Clawson  September 2022	Partially compliant

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## AUDIT COMMITTEE

25 APRIL 2022

### 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 April 2021 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 2020/22 due to COVID 19 related issues.
- These duties have now reduced significantly and officers are expected to be able to engage in their normal duties from April 2022 and the deadlines indicated in this document will reflect this change.

##### 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.

The Fraud and Risk team will continue to roll out the Fraud Awareness training previously planned for 2020/2021 both virtually and via face to face meetings where appropriate. This

will be dependent on the service need and this will be reviewed on a regular basis.

## **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 2021. 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 red / 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. 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 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 24 months and further changes to the Strategy are likely to be required, especially as relevant regulatory bodies are expected to publish in the coming few month's 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 2023.

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 2022***

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 (2014) 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 **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
- **Fraud Act 2006 (abuse of position)**

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, concealment of a material fact, *as well as false representation for gain (financial or non-financial)*.

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 Responsibilities**

### Councillors 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 *Protect - protect-advice.org.uk* This is a registered charity whose services are free and strictly confidential. They can be contacted on *020 3117 2520*.

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.hotline@tendringdc.gov.uk](mailto:fraud.hotline@tendringdc.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. *Each service area has a departmental risk register, which are reviewed on a regular basis by the Council's Fraud and Risk Team.*

## 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
- *One-off/time limited activities such as COVID emergency support grants/payments*

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 the 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](mailto: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

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 and Members. *Training is conducted on line and face to face where appropriate.*

Copies of the council's policies and procedures supporting any training carried out are available on line to all employees.

*The Fraud and Risk team continue to provide Fraud Prevention and Awareness training across the whole Authority ensuring all staff/Members are aware of their responsibilities. This training will be reviewed and adapted as new detection measures are identified and changes to the Councils fraud risk levels are determined.*

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 or to deliver key actions set out in associated guidance. 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 emergency. 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.

*The Fraud and Risk Manager will continue to monitor and review the contents of the Anti-Fraud and Corruption Strategy to ensure it is working effectively and opportunities for preventing and detecting corrupt activity are maximised.*

### **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 – 2022/2023

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>	Fraud and Risk Manager	This work will continue to be undertaken in consultation with internal audit during <i>2022/2023</i> following a delay due to additional fraud risks identified due to Coronavirus during <i>2020/2022</i> .
Evaluate the harm that different fraud risks can cause in the context of Council objectives and service users.	Fraud and Risk Manager	
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	Fraud and Risk Manager	This was unfortunately delayed due to resources being used in other duties related to the Coronavirus during <i>2020/2022</i> but will be given priority in <i>2022/2023</i> .
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.	Fraud and Risk Manager	All Fraud Awareness training planned for <i>2020/2022</i> 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. <i>Training has taken place in 2021/22 and this will continue to be carried out for the remainder of TDC staff during 2022/2023 both virtually where needed or face to face where appropriate.</i>

## AUDIT COMMITTEE

25 APRIL 2022

### REPORT OF ASSISTANT DIRECTOR (FINANCE & IT)

#### A.3 AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES

(Report prepared by Richard Barrett and Karen Townshend)

#### 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 current progress made against the actions set out in Appendices A to C to this report, along with the reported update from External Audit.**

#### 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 January 2022.

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), a number of activities are now either underway or completed as the recovery from the impact of COVID 19 continues. However, activity remains in progress against all actions and work will continue during 2022/23, as required.

#### **Other issues**

The Statement of Accounts 2020/21 remains subject to the conclusion of the work of the External Auditor. At the time of this Committee, the associated report of the External Auditor is yet to be received as they continue their necessary audit work.

The External Auditor has provided a report, which details reasons for the aforementioned awaiting conclusion and states that the audit is not sufficiently progressed to enable them to present the Audit Completion Report. A full report detailing the audit progress is attached.

Two further reports from the External Auditor that were planned to be presented to this Committee will be reported later in the year once they have finalised them.

#### **RIPA**

This Authority has not conducted any RIPA activity in the last quarter and it is rare that it will be required to do so.

The following draft policies have been circulated to the Operational Enforcement Group for their consideration and any comments will be received at their next meeting:

Covert Surveillance Policy and Procedure Manual Pursuant to the Regulation of Investigatory Powers Act 2000 and Use of Social Media in Investigations Policy and Procedure.

### **Housing Void Rate**

The housing void rate will now be reported by exception and managed through Financial Performance Reports and has subsequently been removed from the Table of Outstanding Issues.

### **Redmond Review**

No further updates have been provided by the Government at this time.

## **APPENDICES**

**Appendix A** – Table of Outstanding Issues (April 2022) – General.

**Appendix B** – Table of Outstanding Issues (April 2022) – External Audit Recommendations.

**Appendix C** - Table of Outstanding Issues – (April 2022) - Update against 2020/21 Annual Governance Statement Actions

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**AUDIT COMMITTEE - Table of Outstanding Issues (April 2022) - GENERAL**

Governance Principle and Issue	Recommendation / Issue	Lead / Service	Progress /Comments	Status – Target Date
<p><b>Developing the entity’s capacity, including the capacity of its leadership and the individuals within it.</b></p>	<p>Following the consideration of the Anti-Fraud and Corruption Strategy last year, it was resolved that:</p> <p>The Head of Democratic Services &amp; Elections be requested to consider including training for Members on anti-fraud and corruption measures as part of the Councillor Development Scheme.</p>	<p>Assistant Director Governance</p>	<p>The issue of the integration of training for Councillors on bribery and corruption into the offer for training for Councillors is being taken forward within the wider piece of work endorsed by Cabinet (on 19 February 2021 – Minute 138 refers) and Council (on 16 March 2021 – Minute 103 refers). This wider piece of work arose from the work of the Constitution Review Working Party at which the suggestion for “a suitable mechanism for regular Member input going forward such as a cross-party Member Working Group” was made. The Working Party also identified the potential use of e-Learning Platforms and in pursuance of that access to the LGA’s e-Learning Package for Members has been arranged for all Councillors and is being rolled out to them. However, the LGA e-Learning Platform does not include a module on bribery and corruption, and measures to deter and detect such behaviour. Discussions will take place with the Section 151 Officer to look at how best to provide this training as they</p>	<p><b>Development of Formal Training Programme ongoing which will include:</b></p> <ol style="list-style-type: none"> <li><b>1. Joint general training with other Essex Authorities.</b></li> <li><b>2. Statement of Accounts training, timing of which remains subject to the reporting of the accounts to the Committee.</b></li> </ol>

<p>Page 9</p>			<p>are on the wider point of Local Government Finance as requested by the Resources and Services Overview and Scrutiny Committee (to supplement the e-Learning module and a workbook on the subject already circulated to Members of that Committee).</p> <p>A draft schedule of meetings approved by Cabinet will be submitted to Annul Council on 26 Apr 22 for consideration. The schedule includes six dedicated sessions for Councillor Development Sessions in 2022/23.</p>	<p><b>3. Proposed schedule of six training sessions dedicated to Councillor development through 2022/23.</b></p>
<p><b>Response to report of Ofsted following inspection of Career Track</b></p>	<p>The full Ofsted report following the November 22 inspection was published on 24 December 22, grading Career Track as 'Requiring Improvement', which was subject to a separate report to this Committee at its 31 March 22 meeting.</p>	<p>Assistant Director Partnerships</p>	<p>In order to respond to the Ofsted outcome the service has compiled a detailed Development Plan which was presented to Audit Committee at its 31 March 22 meeting. Furthermore a Development Group has been formed to monitor the work and ensure the targets set against the Ofsted report were being met.</p>	<p><b>Next update to the Committee June 2022</b></p>

In addition to the above, further updates will be provided to future meetings of the Committee for the following two items:

1. Careline accreditation
2. Planning Enforcement

AUDIT COMMITTEE - Table of Outstanding Issues (April 2022) – EXTERNAL AUDIT RECOMMENDATIONS

Area	Recommendation and Agreed Action	Lead / Service	Progress / Comments	Status – Target Date
<p><b>Use of Resources</b></p>	<p>As set out in April 2021, 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>There is a risk that reserves are not being held at the optimum level, given that a number of them have not moved notably in recent years.</p> <p><b>AGREED ACTIONS:</b></p> <p><b>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.</b></p> <p><b>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.</b></p>		<ol style="list-style-type: none"> <li>1. This now forms part of the emerging Corporate Investment Plan.</li> <li>2. This action will be incorporated into the budget setting cycle from 2022/23 onwards.</li> </ol>	<p><b>Completed – these activities will be managed via the Corporate Investment Plan and Financial Strategy on an ongoing basis.</b></p>

**AUDIT COMMITTEE - Table of Outstanding Issues (April 2022) – ANNUAL GOVERNANCE STATEMENT ACTIONS 2020/21**

Governance Principle & Issue	Required Action(s)	Update / Additional Comments
<b>Carried Forward and Updated from 19/20</b>		
<p><b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></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"> <li>• Review of project outcomes being undertaken by the Project Board to support future decision making and delivery.</li> <li>• Commence the roll out of the functionality of Modern.gov over a phased approach in 2020/21.</li> </ul>	<p>The outcome from the Digital Transformation Project was reported to Cabinet on 25 Mar 22 which also identified further investment opportunities for consideration for part of the Corporate Investment Plan. Further project outcomes will be reported to Cabinet as necessary during the year e.g. office transformation.</p> <p>Modern.gov remains a live project with additional functionality planned to be rolled out on an ongoing basis as necessary.</p>
<p><b>Developing the entity's capacity, including the capacity of its leadership and the individuals within it.</b></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"> <li>• Finalise the operational capacity review and implement any recommended and approved staffing restructures.</li> </ul>	<p>The restructure to align services and teams with the Assistant Director roles remains underway with the first phase planned to be implemented during the first quarter of 2022/23.</p> <p>Consideration of capacity and resources will remain a key element of the Corporate Investment Plan mentioned above.</p>

New and Updated for 20/21		
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p><b>Managing risks and performance through robust internal control and strong public financial management</b></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>As part of the Back to Business and Recovery Plan:</p> <ul style="list-style-type: none"> <li>• Undertake a corporate review of the Council's operational assets to prioritise spending from an associated reserve over the next few years;</li> <li>• 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</li> <li>• 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.</li> </ul>	<p>The Corporate Investment Plan which responds to the first two bullet points has now been established as highlighted above, with the first report presented to Cabinet on 25 March 22. This included the first phase of re-prioritising existing budgets to support further investment opportunities.</p> <p>As discussed at the Committee's meeting on 31 March 2022, this will form part of the planned work of Internal Audit during the year with an overall report bringing individual elements together planned for later in the year.</p>
<p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p> <p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p>To set out the Council's vision following the Council's Climate Emergency</p>	<ul style="list-style-type: none"> <li>• Prepare an Action Plan for approval by both the Cabinet and Council to form part of the Council's Policy Framework</li> </ul>	<p>A Climate Change Action Plan was agreed by Full Council on 24 November 2020 and remains within the Council's key priority actions for 2022/23, which forms the background against which performance is being formally reported via the revised monitoring arrangements.</p>

<p>declaration of the Council's activities being 'carbon neutral' by 2030.</p>		
<p><b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></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"> <li>• Review of the Council's Equality and Diversity strategy, policies and procedures</li> </ul>	<p>Both of these actions were considered as part of the respective Service's key priorities and actions during 2021/22 continuing through 2022/23, and are included within the revised performance monitoring arrangements, with updates being reported to Management Team during the year.</p>
<p><b>Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Establishing a corporate framework to support community engagement</p>	<ul style="list-style-type: none"> <li>• Developing the Council's approach and adopting principles for community engagement.</li> </ul>	

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

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