AUDIT COMMITTEE

22 MARCH 2018

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.6   AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES
(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To present to the Committee the progress on outstanding actions identified by the Committee.

EXECUTIVE SUMMARY
- The Table of Outstanding Issues has been reviewed and updated since it was last considered by the Committee at its 25 January 2018 meeting.   - To date there are no significant issues to bring to the attention of the Committee, with updates provided on individual items set out in **Appendix A** or elsewhere on the agenda where appropriate.   - Updates on actions identified within the latest Annual Governance Statement are set out in **Appendix B** with no significant issues to highlight at the present time.   - In developing a Counter Fraud and Corruption Strategy, a voluntary code of practise published by CIPFA has been identified which is presented to the Committee to consider for adoption by this Council.

RECOMMENDATION(S)
That the Committee: a) **Notes the progress on the outstanding issues; and** b) **adopts CIPFA's code of practice on managing the risk of fraud and corruption.**

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
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. An updated Table of Outstanding Issues is set out in **Appendix A.** An update on actions relating to the latest Annual Governance Statement is set out separately in **Appendix B.** **Update On Issues Raised** Any actions identified by the Committee at its last meeting have now been included where appropriate. Updates on items either appear as separate items elsewhere on the agenda or set out within the Appendices, with work scheduled or remaining in progress on all items. The Health and Safety Executive's final report and recommendations following the legionella issue experienced at the Frinton and Walton Lifestyles facility is still awaited. As previously stated, once the Health and Safety Executives report is received, any further actions required will be reviewed and a further update provided to the Audit Committee. As previously reported to the Committee, Internal Audit plan to undertake an independent audit of health and safety which will examine the robustness of the revised arrangements that have been introduced corporately for the management of the Council's health and safety risks and responsibilities, along with the arrangements for support to services when undertaking improvement actions. This audit will also include a review of the improvement actions taken regarding the specific issues that had been identified including those arising from the final recommendations from the Health and Safety Executive. This audit is now in progress and is planned to report the outcome from the associated work to the July 2018 meeting of the Committee. In the work undertaken to develop a counter fraud strategy, a wider review of best practice guidance has now been completed. One of the leading voices in this area has been CIPFA through their Counter Fraud Centre. They have made available best practice guidance on managing the risk of fraud and corruption. Although they have identified the need for

organisations to have in place a counter fraud and corruption strategy, they have highlighted that this should sit within a wider context / framework within an organisation. The code of practise therefore identifies the following key principles for an organisation to consider:

Principle 1 - Acknowledge responsibility

The organisation should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.

Specific steps should include:

- The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.

- The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.

- The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.

- The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.

Principle 2 - Identify risks

Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

Specific steps should include:

- Fraud risks are routinely considered as part of the organisation's risk management arrangements.

- The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.

- The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.

- The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.

Principle 3 - Develop a strategy

An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

Specific steps should include:

- The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.

- The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.

- The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks.

- The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.

Principle 4 - Provide resources

The organisation should make arrangements for appropriate resources to support the counter fraud strategy.

Specific steps should include:

- An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.

- The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.

- The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.

- The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.

Principle 5 - Take action

The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.

Specific steps should include:

- The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy.

- Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.

- Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.

- Providing for independent assurance over fraud risk management, strategy and activities.

- There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.

Although the code of practice is voluntary, as it provides a robust framework against which to consider the Council's own counter fraud and corruption arrangements, the Committee is asked to consider it for adoption. Subject to the Committee's decision, the necessary activities will be developed including the finalisation of a counter fraud and corruption strategy within this wider framework.

As highlighted in the report to the Committee in January 2018, it is still the intention to

work in partnership with the Department for Works and Pensions on joint investigations where appropriate. This will therefore be considered alongside the development of the wider counter fraud and corruption framework highlighted above.

BACKGROUND PAPERS FOR THE DECISION

CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption

APPENDICES

Appendix A – Table of Outstanding Issues (March 2018) – General.

Appendix B - Table of Outstanding Issues (March 2018) - Annual Governance Statement Actions