Audit and Risk Committee Agenda

18 December 2019 at 7pm Marconi Room, Civic Centre, Duke Street, Chelmsford

Membership

Councillor D.J.R. Clark (Chair)

and Councillors

P.H. Clark, N.A. Dudley J.S. Lardge, J.M.C. Raven, E.J. Sampson, M. Sismey, N.M. Walsh and M.D. Watson

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AUDIT AND RISK COMMITTEE

18 December 2019

AGENDA

PART I

1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2. ELECTION OF VICE CHAIR

3. MINUTES

To consider the minutes of the meeting held on 25 September 2019.

4. **DECLARATION OF INTERESTS**

All Members are reminded that they must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

5. PUBLIC QUESTION TIME

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 15 minutes is allotted to public questions/statements, which must be about matters for which the Committee is responsible.

The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

6. ANNOUNCEMENTS

7. EXTERNAL AUDITORS PROGRESS REPORT

To note the update from the External Auditors

8. INTERNAL AUDIT INTERIM REPORT 2019/20

9. FRAUD INVESTIGATIONS ANNUAL REPORT

10. AUDIT & RISK COMMITTEE WORK PROGRAMME

11. **URGENT BUSINESS**

To consider any other matter which, in the opinion of the Chair, should be considered by reason of special circumstances (to be specified) as a matter of urgency.

PART II (EXEMPT ITEMS)

To consider whether the public (including the press) should be excluded from the meeting during consideration of the following matter, which contains exempt information within the category of Part 1 of Schedule 12A to the Act indicated

MINUTES

of the

AUDIT COMMITTEE

held on 25 September 2019 at 7pm

Present:

Councillor D. Clark (Chair)

Councillors

P. Clark, I. Grundy, J. Lardge, J. Raven, E. Sampson and N. Walsh

1. Apologies for Absence and Substitutions

Apologies for absence for absence were received from Councillors M Sismey and M Watson. Councillor Sismey had appointed Councillor I Grundy as his substitute.

2. Minutes

The minutes of the meeting held on 18 June 2019 were agreed as a correct record and signed by the Chair.

3. Public Question Time

No questions were asked or statements made.

4. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda. None were made.

5. Announcements

The Chair announced that following Cllr Finnecy's resignation a new Vice Chair would have to be appointed. The Committee agreed that this should be decided at the next meeting in December when the full Committee should be present.

6. Audit Completion Report 2018/19 (ISA 260)

The Committee considered a report from the Council's External Auditors, BDO, presented in accordance with the provisions of the International Standards on Auditing (ISA 260). This required the Auditors to report to those charged with governance relevant matters arising from the audit prior to issuing the 2018/19 Statement of Accounts. The audit results report (attached at Appendix 1 to the report before the Committee) covered two key areas, namely the Accounts for 2018/19 and the Value for Money Conclusion. The Accounts for 2018/19 had been prepared in accordance with the Statement of Recommended Practice 2018/19.

Members were directed to page 49 of the agenda pack which detailed some outstanding areas that would be completed soon. Members were also provided with detail on the main risk areas that the external auditors had looked at whilst auditing the accounts. The External Auditors confirmed that the Digital Transformation programme was no longer subject to a value for money qualification. It was noted that the they had looked at the evidence

presented and held discussions with senior officers on the topic and were happy with the new arrangements.

Members were informed that the External Auditors had found no significant weaknesses or material errors that had not been adjusted in the accounts and therefore proposed to issue an unqualified audit opinion (subject to completion of the outstanding audit work). Therefore, the Accounts attached at Appendix 2 to the report before the Committee met the statutory requirements of the Audit Commission Act 1988 and the Code of Audit Practice.

In response to questions from members, the Committee was informed that:

- The External Auditors expected to complete the Audit by early October.
- To avoid a delay next year in completing the Audit they would be looking at their resources over the next few months and holding discussions with the Council finance team. It was noted that they did not want to be in the same position next year.

The Committee thanked the Finance Team for their hard work in preparing the statement of accounts.

RESOLVED that;

- 1. the audit completion report ISA 260 (Appendix 1) be noted; and
- 2. the Statement of Accounts 2018/19 (Appendix 2) be approved; and
- 3. that authority is delegated to the Chair of the Audit and Risk Committee, in consultation with the Director of Financial Services/Section 151 Officer, to approve any additional amendments to the Statement of Accounts and the letter of representation, arising out of any outstanding audit work, and to publish the final Statement alongside the audit opinion.

(7pm to 7.31pm)

7. Risk Management Report

The Committee received a report and presentation on the Council's Risk Management strategy for 2019/20 which had been considered by Management team. The strategy was detailed to members in the report and the presentation covered the key areas. The Committee were informed about the importance of a risk framework and where it sat in relation to the rest of the organisation and external audit. The Committee also considered the Principal Risk report as at 31st August 2019.

In response to a question from a member of the Committee, it was confirmed that team and service managers were still responsible for reporting and monitoring risks. It was noted that the role of the risk framework and the risk team was to co-ordinate the approach and monitor risks at an organisation level, reporting directly to the Management team. The Committee agreed that they were happy with the proposed strategy and were keen to see how it develops through the year. It was noted that it was a new approach and one that would allow both management team and the Committee to effectively monitor risks.

RESOLVED that;

- 1. the Risk Management Strategy for 2019/20 be approved and;
- 2. the Principal Risk Register for 31st August 2019 be noted. *(7.32pm to 7.50pm)*

8. <u>Temporary Accommodation : Use and Costs</u>

The Committee received a report providing further information on the use and costs of temporary accommodation. The report outlined the need, type and varied costs of temporary accommodation used to meet the Council's duties to those who are homeless. The Committee were informed that the Strategic Housing team had been looking at past methods and analysing how moving forward they could tackle the problem of homelessness and temporary accommodation. It was noted that the team were exploring various methods with the new working groups and different forms of temporary accommodation. The Committee heard that to be effective, various methods had to be combined at the same time which would prove to be a challenge. The Committee also heard that team performance was regularly monitored, in addition to regular communication with partner organisations which would lead to steady but effective progress.

In response to questions from members, the Committee was informed that;

- Transaction rates on some new housing developments did stall towards the end and this could sometimes create problems in terms of available properties.
- In terms of families that were currently in overcrowded properties, the council's statutory priority did have to be those actually without homes. It was noted however that this group was also a priority and a list of the families in overcrowded properties was kept by the service.

The Committee thanked the Housing team for providing a detailed and informed report, they agreed it was one of the major issues facing the Council.

RESOLVED that the report be noted.

7.51pm to 8.20pm

9. Follow up of Internal Audit External Quality Assessment

The Committee received a report which summarised the actions taken by Internal Audit, in response to the External Quality Assessment which was undertaken in July 2018. It was noted that the assessment had to take place every five years and this report followed up the July 2018 assessment. The Committee was informed that the recommendations had all been acted upon and the report before members detailed these actions. It was noted by the Committee that the assessment had recommended using different terms than high, medium or low for audits. The Committee was informed though that officers had agreed that, the existing terminology worked best for the organisation. It was also noted that the 2020/21 audit plan would be explicitly aligned with the 2020/21 principal risk register, as recommended by the assessment.

RESOLVED that the report be noted.

(8.21pm to 8.26pm)

10. Audit and Risk Committee Work Programme

The Committee considered a report on its updated proposed rolling programme of work for 2019/20. The Committee was informed that a rolling training programme was included, with sessions for members to beheld either before or during scheduled committee meetings.

It was also noted that regular updates from the external auditors had been timetabled in, to monitor progress and avoid delays. The Committee was also informed that some of the Revenue and Capital monitoring reports that they used to receive, would now be monitored by Cabinet and Overview and Scrutiny Committee. It was noted that this would allow the Committee to focus directly on its Audit and Risk responsibilities.

RESOLVED that the work programme be approved.

(8.27pm to 8.30pm)

11. Urgent Business

There were no matters of urgent business brought before the Committee.

The meeting closed at 8.30pm.

Chairman



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WELCOME Introduction

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Outstanding Matters

Actions arising from debrief meeting

This report provides an update on progress of the audit of the Council's 2018/19 financial statements.

Following the update provided the Audit and Risk Committee on 25 September 2019, the audit team have continued to work to bring the audit of the 2018/19 financial statements to a close. Unfortunately, due to ongoing resource constraints, this has taken longer than anticipated.

We expect to be able to conclude our audit work and issue our opinion before the festive break.

Outstanding matters are shown on page 4 of this report. We will provide a verbal update regarding progress on these matters at the Audit and Risk Committee meeting on 18 December 2019.

Following completion of our audit, we will prepare a final version of our Audit Completion Report and arrange circulation of this document to members, alongside our Annual Audit Letter as soon as possible after completion of our audit work. We will formally present the Annual Audit Letter to the Audit and Risk Committee currently scheduled for 18 March 2020.

A debrief meeting was held between the audit team and finance team on 12 November 2019 to discuss the 2018/19 audit process and consider where improvements can be made next year. The outcome of this discussion will be factored into our planning procedures for 2019/20, which will commence in January 2020.

Lisa Clampin

9 December 2019



OUTSTANDING MATTERS

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Introduction

Outstanding Matters

Actions arising from debrief meeting

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit and Risk Committee meeting at which this report is considered:

- Leases
 - Testing of a sample of leases to confirm correct classification
- Capital grants and contributions and capital grants unapplied
 - Agreement of balances recognised in the accounts to underlying s106 agreements
 - Agreement of a sample of capital grants unapplied to underlying documentation
- Financing and investment income
 - · Testing of a sample of charges
- NDR appeals provision
 - Review of underlying assumptions
- Review of accounting estimates for bias

Completed work has been subject to review by senior members of the audit team. Clearance of matters raised as part of this review process is ongoing and may lead to further queries and/or audit work. We will confirm whether or not any significant issues have arisen from this process at the meeting at which this report is considered.

Following completion of the above, and prior to issuing our audit opinion, we will complete the following:

- Subsequent events procedures, including enquiries of management
- Completion of final checks on the financial statements, including agreement of any amendments requested and confirmation that the financial statements and notes are internally consistent
- Issue of the letter of representation wording for signing by the Council.



ACTIONS ARISING FROM DEBRIEF MEETING

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Introduction

Outstanding Matters

Actions arising from debrief meeting BDO and the finance team held a debrief meeting on the 2018/19 audit process on 12 November 2019. The purpose of this meeting was to identify areas where processes could be improved to help facilitate delivery of the 2019/20 audit by the 31 July 2020.

At this meeting, the following were the key action points agreed:

- Strengthen communication by:
 - Having a named Audit Senior available for the duration of the audit as the on-site contact during the course of the final audit
 - Enhancing the functionality of the request log maintained by the audit team to include a clear referencing system for each request made.
 Further correspondence between the audit team and the finance team will include the unique reference for clarity over progress with query resolution
 - Using the detailed request log and the summary of audit findings to date as the basis for the weekly catch-up meetings held as part of the final audit visit. Meetings will continue to cover audit progress, outstanding matters and issues arising but notes of agreed actions will be shared
 - Presenting progress updates on the 2019/20 audit to the Audit and Risk Committee and each meeting, commencing March 2020
- The audit team will ensure all sample requests include an enhanced level
 of transaction detail from the ledger, including internal references. This
 will allow the finance team to identify the transactions more promptly
 when providing supporting evidence
- A senior member of the finance team will review supporting documentation before it is sent to the audit team to ensure it agrees (or has been reconciled to) the amount sampled

- The finance team will review the format of the 2019/20 financial statements to ensure disclosure matters identified this year are addressed eg immaterial notes and policies are not included
- Enhance the audit timetable provided to the Council by including more
 detail of when audit procedures relating to specific areas of the financial
 statements are expected to be performed, so that the finance team can
 ensure availability of relevant officers from other teams within the
 Council

We have also completed a portfolio-wide audit delivery review resulting in re-profiling of our audit procedures and bringing forward more testing into our interim audit. We will discuss this in January as part of our 2019/20 planning.

FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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AUDIT & RISK COMMITTEE

18th December 2019

AGENDA ITEM 8

Subject Internal Audit Interim Report 2019/20						
Report by	Report by Director of Financial Services					
Enquiries contact:						
Elizabeth Brooks, Audit Services Manager elizabeth.brooks@chelmsford.gov.uk						

Purpose

This report summarises the work that Internal Audit has undertaken from April to October 2019, identifies the key themes that we have identified across the Council, and also highlights how responsive management have been in implementing recommendations.

Recommendation(s)

1. Audit & Risk Committee are requested to note the content of the 2019/20 Interim Report attached.

Corporate Implications	
Legal:	The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).
	As well as Public Sector Internal Audit Standards (PSIAS), the Internal Audit section will govern itself by adherence to mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. This mandatory guidance

	constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of Internal Audit's performance.
Financial:	N/a
Personnel:	N/a
Risk Management:	The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.
Equalities and Diversity:	N/a
Health and Safety:	N/a
IT:	N/a
Other:	n/a

Consultees	Management Team noted the Internal Audit Interim Re 2019/20 during November 2019.	eport
Policies and Strategies N/a		

1. Introduction

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.
- 1.2. The Internal Audit Annual Plan for 2019/20 was approved by Audit & Risk Committee in March 2019. This report summarises the work that Internal Audit has undertaken from April to October 2019 and also highlights how responsive management have been in implementing recommendations.

2. Conclusion

2.1. The Internal Audit Interim Report 2019/20 is attached for Audit & Risk Committee to note.

List of Appendices

• Internal Audit Interim Report 2019/20



Internal Audit 2019-20 Interim Report (April to October 2019)

1. Introduction

1.1. Purpose of this report

- 1.1.1.This report summarises the work that Internal Audit has undertaken from April to October 2019 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council. It also highlights how responsive management have been in implementing recommendations.
- 1.1.2. The key to Assurance Levels in Individual Reports and the key to Risk Ratings for Individual Findings in Reports can be found at Appendix A.

1.2. Overview of work done in the year

- 1.2.1. The original audit plan for 2019/20 was approved by Audit and Risk Committee in March 2019. Any changes to this original audit plan are noted below.
- 1.2.2. Current resourcing is as follows:
 - 2.5 FTE permanent staff 1.0 FTE (Audit Services Manager); 1.0 FTE (Senior Auditor); 0.5 FTE (Senior Auditor)
 - PWC days = 70 days across 4 audits (including Key Financial Systems see below)
- 1.2.3.We are on track to complete the audit plan by end March 2020. Deferrals may need to be made to accommodate high priority/urgent pieces of work as necessary; these will, however, be discussed and agreed with management.

2. Progress on Implementation of Internal Audit Recommendations

Directorate	Audit Title	Original Assurance Rating	Original Recommendations	Implemented	Position as at October 2019		
Sustainable Communities	Car Parking	Moderate	1 High, 2 Medium, 1 Low	Yes	In the previous report, four recommendations were made and accepted by management. Based on the evidence presented, our follow up audit revealed that all four recommendations have been implemented.		
Public Places	Hylands House	Moderate	6 Medium, 2 Low	Yes	In the previous report, eight recommendations were made. Based on the evidence presented, our follow up audit revealed that all eight recommendations have been implemented.		
Connected Chelmsford	Corporate Events	Moderate	2 Medium, 2 Low	Partially	In the previous report, four recommendations were made. Based on the evidence presented, our follow up audit revealed that two recommendations (one medium, one low) have been implemented. One partially implemented recommendation (medium priority) relates to receipt of requisite documentation for event contracts. The remaining partially implemented recommendation relates to safeguarding training.		
Public Places	Markets	Substantial	1 Low	Yes	In the previous report, one recommendation was made. Based on the evidence presented, our follow up audit revealed that the recommendation has been implemented.		
Connected Chelmsford	ICT Follow Ups (2017)	In September 2017, a suite of IT Audit reports were issued, all with an 'acceptable' assurance opinion (now 'moderate' assurance covering the following areas: Security of ICT Assets; Security of Information; Integrity of Data Processing; Availability of Data Infrastructure.					
		Since the original reviews, there have been numerous changes in the Council's IT services, including the move to Windows 10 o 0365, which has impacted on the relevance and implementation of several of the original recommendations, plus changes to Inte Audit service have meant that subsequent audit reviews have superseded the originals. Where there are outstanding issues, Inte Audit will consider incorporating new reviews of Disaster Recovery and Licencing to the 2020/21 Audit Plan to ensure that assurance provided over current arrangements.					

The follow ups for the following previous year's audits have been included as part of the scope for 2019/20 audits: Digital Strategy (see section 3.1(b) below); Cyber Security (see section 3.1(b) below); Key Financial Systems (see section 3.3 (b) below).

3. Service Summaries:

3.1. Cross-Cutting Reviews

a) Reports Finalised

Report Title	Assurance Rating	Critical	High	Medium	Low	Key Issues Arising
Use of Agency Staff	Limited	0	2	4	2	Two high priority findings were identified relating to Procurement Pre-Employment Vetting. Other findings related to strategic monitoring of use of agency staff, compliance with Council policy and wider consultation with support services such as HR and Procurement which limits their ability to carry out their requisite monitoring and oversight. Subsequent to the audit, the Council has now entered into a framework agreement for the provision of temporary staff which will assist in mitigating several of the risks identified in the review.

b) Work in Progress

Audit Ref	Audit Title	Status
CC19_8	BACS	Draft Report Issued; Final Report due December 2019
CC19_1	GDPR Governance	Draft Report Issued; Final Report due December 2019
CC19_6	Digital Strategy	Digital Healthcheck due January 2020, which will consider recommendations made in 2018 Limited Assurance report. In the meantime, Internal Audit have provided control design advice for the Council's new DPO arrangements.
CC19_6	Cyber Security	Follow up of 2018 Limited Assurance review, with scope extended to include review of IT Access Controls. Final Report due December 2019.
CC19_4	Fleet Management	Fieldwork in Progress; Draft Report due January 2020.
CC19_7	Equality Impact Assessments	Fieldwork in Progress; Draft Report due January 2020.

c) Follow Ups scheduled to 31st March 2020

Original Audit Title	Original Assurance Rating		
Conflicts of Interest	Limited		

d) Deferrals/Cancellations

The original 2019-20 Audit Plan also included CC19_5 – Trading Accounts - cancelled at Management's request; to reconsider in future audit plans; CC19_3 Managing the Risk of Fraud, which will be deferred to April due to resourcing and; CC19_2 Contractors and Contract Management, which is deferred to 2020/21 at management's request.

3.2. Connected Chelmsford

a) Reports Finalised

Report Title	Assurance Rating	Critical	High	Medium	Low	Key Issues Arising
Electoral Services	n/a – management letter	0	0	1	2	Due to the constraints placed upon staff as a result of the General Election (which was called during audit fieldwork), the amount of testing carried out was limited, and as such, it was unrepresentative to issue a full audit opinion. However, based on the work that was undertaken, overall, we identified good practice relating to the suite of planning documents and risk register. One medium and two low priority recommendations were also made for management's consideration.

b) Work in Progress

Audit Ref	Audit Title	Status
CORP19_4	Theatres	Draft Report due December 2019.

c) Work Scheduled to 31st March 2020

Audit Ref	Audit Title	Indicative Scope and timeframe
CORP19_1		Review of the Museum's arrangements following its re-opening in 2019; review postponed to January 2020 at management's request.

d) Deferrals/Cancellations

The original 2019-20 Audit Plan also included **CORP19_2 – Remote working**, which will be deferred to May 2020 to allow for implementation of new Remote Working Policy and associated roll out of planned staff training and awareness.

3.3. Financial Services and Housing

a) Reports Finalised

Report Title	Assurance Rating	Critical	High	Medium	Low	Key Issues Arising
Temporary Accommodation	Limited	0	2	2	1	Two high priority risks were identified relating to some inconsistency and associated risks with the current procurement arrangements for TA and monitoring of Health and Safety/ Property Inspections.

b) Work in Progress

Audit Ref	Audit Title	Status
FIN19_5	Key Financial Systems 2019/20	2019/20 scope includes: Accounts Receivable, Cash, Council Tax, Housing Benefits. Plus follow up of 2018/19 KFS recommendations. Draft Report Issued; Final Report due December 2019.
FIN19_2	Housing Allocations	Fieldwork February 2020 at management's request.
FIN19_3	Capital Expenditure	Fieldwork in progress; Draft Report due January 2020

c) Follow Ups scheduled to 31st March 2020

Original Audit Title	Original Assurance Rating
Corporate Property	Limited
Procurement cards	Moderate
Voluntary Organisations	Moderate

d) Deferrals/Cancellations

The original 2019-20 Audit Plan also included **FIN19_4 – Homelessness** - deferred to 2020/21 due to timing of the Council's new Homelessness Strategy.

3.4. Public Places

a) Reports Finalised

Report Title	Assurance Rating	Critical	High	Medium	Low	Key Issues Arising
Cemetery & Crematorium	Substantial	0	0	1	0	No critical or high priority findings were identified in this review. The medium finding relates to the storage of historic records.
Riverside Income Procedures	n/a – management letter	0	0	6	0	Advisory work following implementation of Gladstone system. The medium findings related to: policies and procedures, training, reconciliations, and invoicing processes.

b) Work in Progress

Audi	Ref	Audit Title	Status
PP1	9_5	Safeguarding	Fieldwork in Progress. Draft Report due December 2019.

c) Work Scheduled to 31st March 2020

Audit Ref	Audit Title	Indicative Scope and timeframe
PP19_3	Community Safety Partnership	Review of the Safer Chelmsford Partnership, reviewing the Council's involvement in the management and monitoring of crime and ASB to ensure that intelligence and information is shared, and processes are streamlined to avoid duplication of effort and to ensure that communications with third/external parties is effective.
PP19_4	Housing Grants and Loans	Review of Disabled Facilities Grant and Private Sector Renovation Grant to ensure compliance with grant terms and conditions.

a) Follow Ups scheduled to 31st March 2020

Original Audit Title	Original Assurance Rating
Emergency Planning	Control design advice provided in 2018; extended follow up in 2019 to provide assurance rating
CCTV	Moderate

3.5. Sustainable Communities

a) Reports Finalised

Report Title	Assurance Rating	Critical	High	Medium	Low	Key Issues Arising
SEPP Governance	Moderate	0	0	5	1	No critical or high priority findings were identified in this review. The medium findings identified, regarding the scope of the agreed KPl's, governance and oversight, are intended to improve the current operation and provide opportunity for further improvement.

b) Work Scheduled to 31st March 2020

Audit Ref	Audit Title	Indicative Scope and timeframe
SC19_2	Community Infrastructure Levy	Review of Council compliance with Community Infrastructure Levy obligations to ensure all funds are received in line with policy and legal requirements.

c) Deferrals/Cancellations

The original 2019-20 Audit Plan also included the following: SC19_3 - S106 - deferred to 2020/21 due to timing of CiL review.

4. Review of the Effectiveness of Internal Audit

- 4.1. Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:
 - Performs its work in accordance with its Charter, which is consistent with Public Sector Internal Audit Standards (PSIAS)
 - · Operates in an effective and efficient manner
 - Is perceived by stakeholders as adding value and continually improving its operations.
- 4.2. Following the development of the Council's Risk Management Framework during 2019, it is now possible to align the work of Internal Audit and Risk, and this is now reflected in the Internal Audit Methodology. Our protocol now reflects the engagement of Risk at both terms of reference and reporting stage, to ensure that identified key risks are included in our scope and emerging risks from audit findings are captured by the risk framework and provide independent assurance on control activities being undertaken. There is also clear alignment between the Council's risk definitions and internal audit risk ratings.
- 4.3. In accordance with PSIAS Standard 1311, internal assessments are undertaken through both on-going and periodic reviews. Ongoing assessments are conducted through:
 - Audit Service Manager supervision of engagements and regular 1:1s with audit team to monitor progress with audit assignments.
 - Audit Methodology, protocols and templates used for each engagement to ensure compliance with applicable planning, fieldwork and reporting standards.
 - Monitoring of internal KPIs established to improve the effectiveness and efficiency of Internal Audit
 - Feedback from customer surveys at the conclusion of each engagement
 - Prior to release, all draft and final terms of references, draft and final reports (or other outputs), as well as Risk and Control Matrices (and associated working papers) are reviewed and approved by Audit Services Manager.
- 4.4. Internal Audit's performance against its KPIs for 2019-20 will be formally reported in its 2019/20 Annual Report.

Key to Assurance Levels in Individual Reports

No Assurance	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Moderate	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Substantial	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be advice and best practice.

Key to Risk Ratings for Individual Findings in Reports

Critical	Financial: Severe financial loss; Operational: Cessation of core activities. People: Life threatening or multiple serious injuries to staff or service users or prolonged work place stress. Severe impact on morale & service performance. Mass strike actions etc; Reputational: Critical impact on the reputation of the Council which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Legal and Regulatory: Possible criminal, or high-profile civil action against the Council, members or officers. Statutory intervention triggered impacting the whole Council. Critical breach in laws and regulations that could result in material fines or consequences. Projects: Failure of major Projects and/or politically unacceptable increase on project budget/cost. Elected Members required to intervene.
High	Financial: Major financial loss. Service budgets exceeded; Operational: Major disruption of core activities. Some services compromised. Management Team action required to overcome medium-term difficulties. People: Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff. Reputational: Major impact on the reputation of the Council. Unfavourable media coverage. Noticeable impact on public opinion. Legal and Regulatory: Major breach in laws and regulations resulting in significant fines and consequences. Scrutiny required by external agencies. Projects: Key targets missed. Major increase on project budget/cost. Major reduction to project scope or quality.
Medium	Financial: Moderate financial loss. Handled within the team; Operational: Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required. People: Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some work days lost. Some impact on morale and performance or staff. Reputational: Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage. Legal and Regulatory: Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation. Projects: Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.
Low	Financial: Minor financial loss; Operational: Minor errors in systems/operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users. People: Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale. Reputational: Minor impact on the reputation of the organisation. Legal and Regulatory: Minor breach in laws and regulations with limited consequences. Projects: Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.



AUDIT & RISK COMMITTEE 18th December 2019

AGENDA ITEM 9

Subject	FRAUD INVESTIGATIONS ANNUAL REPORT
Report by	PROCUREMENT AND RISK SERVICES MANAGER

Enquiries contact: Alison Chessell, Procurement and Risk Services Manager <u>alison.chessell@chelmsford.gov.uk</u>

Purpose

This report summarises the progress made in the past nine months by the Council's Fraud Team and provides a summary of the Council's approach to mitigation of the principal risk of fraud.

Recommendation(s)

1. Audit and Risk Committee are requested to note and approve the Fraud Investigations Annual Report as at 18th December 2019.

Corporate Impli	ications
Legal:	 The Council has a legal duty to ensure that it has a sound system of internal control, which includes effective arrangements for the management of risk (Regulation 3 (Part 2) of the Audit and Accounts Regulations 2015). The Principal Risk Register seeks to focus attention on Council compliance with laws and regulations.
Financial:	 S151 Local Government Act 1972 – "Every Local Authority is under a statutory duty to secure the proper administration of its financial affairs", (i.e. to safeguard public funds). Challenges to the Council's financial position are reflected in the Principal Risk Register. 'Serious fraudulent activity' is also a Principal Risk. Both are monitored regularly.
Personnel:	The Council's cultural change initiative is reflected in the Principal Risk Register.
Risk Management:	The role of the risk management function is to assist the Council to identify, understand and manage its risks (and opportunities). An effective risk management framework should: provide risk information to support decision-

	making and resource allocation; improve compliance with policies,
	procedures, laws and regulations and stakeholder expectations; and provide
	assurance to internal and external stakeholders that the Council is well-
	managed. A detailed fraud risk register is currently in development, following
	on from the Inherent Fraud Risk Assessment detailed below.
Equalities and	None
Diversity:	
Health and Safety:	None
IT:	None
Potential impact on	None
climate change	
and the	
environment:	
Contribution	None
toward achieving a	
net zero carbon	
position by 2030	
Other:	None
Consultees	Director of Financial Services

Policies and Strategies

The report takes into account the following policies and strategies of the Council:

- Our Chelmsford, Our Plan (draft)
 Draft Anti-Fraud and Corruption Strategy (March 2019)

Audit Services Manager

- Risk Management Strategy 2019-20
- Internal Audit Strategy and Plan 2019-20

Appendix

Appendix A – Draft Inherent Fraud Risk Assessment 2019

1.Background

Obligation to combat fraud

Section 151 of the Local Government Act (LGA) 1972 states that "Every Local Authority is under a statutory duty to secure the proper administration of its financial affairs" (i.e. to safeguard public funds). The obligation set out in the LGA 1972 is underpinned by the Financial Procedure Rules contained in the Council's Constitution. These Rules are the codification of the Council's principles for sound financial management.

Principles of tackling fraud

The aim of the Fraud Function is to take effective and appropriate action to combat fraud, whether perpetrated from outside or inside the Council. The Fraud Function's approach focusses on three key themes:

- Acknowledge the risk and responsibility to tackle fraud
- Prevent fraud wherever practical to do so
- Pursue those who perpetrate fraud against the Council and its partners

The Council's existing Anti-Fraud and Corruption Policy summarises the Council's position, building on a number of other corporate policy statements, including:

- Codes of Conduct (Members and employees)
- Corporate Risk Management Policy
- Disciplinary Policy
- Whistleblowing Policy

Overarching the above policies is the fact that Council Members and Officers are expected to adopt the highest standards of propriety and to follow the 'Nolan Principles' of public life:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

The seven principles apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, the courts and probation services, non-departmental public bodies, health, education, social and care services. The principles also apply to all those in other sectors that deliver public services.

2. Measuring the value of the Fraud Function

The value of the Fraud Function to the organisation can be measured via the following headings:

• Deterrent value:

The deterrent value of having a Fraud Function, offering a confidential way to report concerns, acting on the concerns, taking appropriate sanctions, and publicising successes are immeasurable.

• Strengthening procedures:

Some internal investigations may not yield immediate and / or quantifiable financial outcomes. However, they may result in changes in policies and procedures that ultimately reduce the potential for loss by fraud or error by enhancing the robustness of those policies and procedures.

Quantifiable financial outcomes:

Fraud Function activities may identify money and / or assets that have been claimed / misappropriated via fraud or error, which can then be targeted for recovery. For example:

- o Overpayments of Housing Benefit / Council Tax Benefit / Council Tax Reduction.
- Housing Association properties returned to stock.
- Money resulting from action taken under the Proceeds of Crime Act 2002.

Income and Caseload information

Year	Number of	Number of	Income	Properties	Savings
	cases (CCC)	Cases (Other)	Received	recovered	based on NFI
					figures*
2019/20	26	20	£0.00**	5	£465,000
2018/19	41	23	£151,000***	8	£744,000
2017/18	17	22	£11,953	15	£1,395,000

Notes

The figures above are cases which were undertaken; they do not include general enquiries and requests for assistance from various departments, which can result in offenders being traced enabling CCC to prosecute or applicants being removed from the **Housing waiting list.

In addition, Fraud Function activities may result in extra liability being created, for example via the removal of Council Tax discounts and exemptions.

^{*} The NFI use an estimate of £93,000 per property recovered based on average four-year fraudulent tenancy – this includes temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies;

^{**}The NFI works on an estimate of £3,240 per case for future losses prevented as a result of removing an applicant from the housing waiting list;

^{***} Financial Investigations were completed on behalf of another Authority who had lost their Financial Investigator and they had 3 cases within the court system at various stages. No fees were received for these as the National Crime Agency approached CCC for assistance. These cases did enable CCC's Financial Investigator to maintain his accreditation and produced an income of approximately £90,000 for the Authority involved.

The Fraud Function contributes to the Council's corporate vision and priorities by investigating allegations of fraud and corruption against the Authority, both from within the organisation and from external third parties.

3. Focussing Fraud Function resources

When considering where to focus the Fraud Function's resources due regard is given to:

- The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Managing the Risk of Fraud and Corruption' and 'Fighting Fraud Locally'.
- 'Fighting Fraud & Corruption Locally The Local Government Counter Fraud and Corruption Strategy 2016-2019' supported by CIPFA Counter Fraud Centre. (Presently being updated)
- 'CIPFA Fraud and Corruption Tracker (CFact) Results 2019' The results of CIPFA's survey aim to provide a national picture of fraud, bribery and corruption in local government in England, Scotland and Wales.
- The Councils' Principal Risk Register (PRR 005: Serious Fraudulent Activity, rated 'High Risk' due to potential financial and reputational impacts) and Inherent Fraud Risk Assessment 2019
- Internal Audit Plan and Internal Audit Reports

4. Corporate Fraud Team

The objectives of the Corporate Fraud Team are to:

- a) Ensure that the Council has sufficient and appropriate resources on an ongoing basis to protect the delivery of its statutory duties and discretionary services from fraud, abuse and corruption.
- b) Contribute to the commitment of keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Authority's tax base
- c) Ensure that the Council adopts a modern and innovative approach to the delivery of its services and that they are not comprised by fraud.
- d) Provide independent and professional investigations into all aspects of fraud affecting the Council, preventing fraud and abuse and taking fair and consistent action against those committing offences.
- e) Support the Council's anti-fraud culture and framework.
- f) Deliver a corporate anti-fraud service that is innovative, professional and compliant with the relevant legislation.

Resources

The Fraud Team consists of a Senior Financial Investigation Officer who is a fully qualified and accredited Counter Fraud Specialist with experience of criminal investigation work across the public sectors they are also a Financial Investigator (Confiscator) accredited with the National Crime Agency (NCA).

The Senior Investigator is also supported by expertise from the Risk Manager, the Insurance Manager and authorising authority and management support from the Procurement and Risk Services Manager.

Partnerships

The Fraud Team currently working with key partners to assist in fighting fraud locally which included outside of Chelmsford administration area.

There are currently formal agreements in place with the following other local Authorities:

- Epping Forest District Council
- Maldon District Council
- Brentwood Borough Council
- Basildon Council
- Tendering District Council
- Rochford District Council

The partnership work undertaken is funded under the agreement that the Council will receive 20% of any monies recovered.

There are also a number of Memorandums of Understanding in place with registered social landlords, including:

- Moat Housing
- Swan Housing
- Chelmer Housing Partnership
- Clarion Housing

5. Review of Key Activities in the nine months to 31 December 2019

Workstreams for the Fraud Team have continued to be aligned to common themes set out within the Council's Anti-Fraud and Corruption Strategy, CIPFA Fighting Fraud and Corruption Locally 2016-2019 and the UK Government Anti-Corruption Strategy 2017-2022.

Fraud investigations conducted fall within any of the following key areas:

- Social housing tenancy fraud
- Right to Buy scheme (includes continuing due diligence support) to be commenced with CHP 2020/21
- Council Tax Reduction Scheme
- Council Tax Single Person Discount
- National Non-Domestic Rates (Business Rates evasion)
- Procurement
- Supporting other prosecutions
- Abuse of position
- Insurance claims
- Economic and third sector supporting, including grants
- National Fraud Initiative Matches (statutory national exercise)
- Whistleblowing
- Payroll and Expenses
- Recruitment

Due to the ongoing risks highlighted by the CIPFA Fraud and Corruption Tracker Summary Report 2019, the Fraud Team will continue to focus on work within Housing Services and joint working with Housing Associations.

Proactive Work

For the first time this year, the Council has engaged in International Fraud Awareness Week, arranging two training sessions which were well-attended by Service Managers and staff.

The strategy of pro-actively reviewing the inherent risk of fraud across the Council's activities at least annually enables the Fraud Team's resources to be prioritised accordingly, with proactive work targeted towards those areas where fraud and/or abuse represents a significant risk to the Council's reputation and/or financial position.

For example, the Fraud Team will assist in any proactive exercises targeting revenue such as Non-Domestic Rates fraud and fraud within Council Tax discounts. Although these areas are already subject to scrutiny using methods such as data matching, the Fraud Team will work alongside Revenue Services to identify cases of more serious, persistent or organised fraud within the schemes.

The Senior Financial Investigation Officer will also continue to build on the existing, close working relationships with the Housing Services to identify and address suspected social housing fraud.

A summary of the most recent Inherent Fraud Risk Assessment can be found in Appendix A. In 2020, the Team will look to develop the assessment further by systematically documenting key controls for the prevention and detection of fraud. The Team will also look to develop a fraud awareness training programme based upon the susceptibility of individual job roles to the Council's highest-rated fraud risks.

Housing Applications

Following referrals from Housing staff, investigations were made into these applications. Several discrepancies were found which required rectification, and in some cases the application refused outright as investigations confirmed that the information given by the applicant was false.

During the past year, the Senior Financial Investigation Officer has continued to work closely with several external bodies including DWP, HMRC, Essex Police, National Crime Agency, other Local Authorities and Registered Housing Providers, as well as in-house teams. Strong partnerships continue with CHP as the largest housing provider in the city with an agreement to undertake joint investigations, a similar agreement is in place with MOAT, Clarion Housing Group.

Most recently an agreement has been signed with Swan Housing whom we have six active cases which include two where the ownership of a property has not been declared.

These joint investigations are carried out utilising the Prevention of Social Housing Fraud Act 2013 (PoSHFA) which gives local authorities the powers to investigate and prosecute tenancy fraud on behalf of housing providers. Local authorities may prosecute an offence under the act whether the dwelling is in the local authority's area. We will continue to roll this out to other providers during 2020-21.

Recovered Properties

In the nine months to 31 December 2019, the Fraud Team has been instrumental in assisting CHP in recovering 15 properties from tenants who were investigated for suspected housing fraud. These properties were recovered from tenants who were suspected of being involved in issues such as illegal subletting, not using the property as their main or principle home or in some cases, having abandoned the property all together and were living elsewhere.

By recovering these properties, they can (and in most cases, have been) be re-let to priority cases on the waiting list and saving approximately £1.4million (based on current National Fraud Initiative figures of £93,000 per recovered property).

The following planned exercise was due to take place this year but due to workload and reorganisation within CHP it is anticipated to take place during 2020/21. The Senior Financial Investigation Officer along with CHP officers will explore the possibility of implementing a process of vetting 100% Right to Buy Applications due to the high levels of success already experienced by other Local Authorities in this area.

The Senior Financial Investigation Officer has a close working relationship with Essex Police Intelligence Team. A Service Level Agreement (SLA) exists which facilitates the sharing of data for the prevention and detection of crime. The team assist the Police regularly in a variety of matters. Although this work can be time consuming, it is an extremely important facility in helping the fight against crime in the local community and helps keep residents safer and less at risk of being victims of crime.

National Fraud Initiative (NFI) Work

The Cabinet Office NFI exercise is part of Central Government's national recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect their money from fraud. The national public bodies included in this exercise are police authorities, local probation boards, fire and rescue authorities and all upper tier and district councils.

The Council has a statutory responsibility to provide data to the Cabinet Office for the prevention and detection of fraud as part of the NFI. NFI is an exercise that matches electronic data within and between audited bodies to prevent and detect fraud. The Fraud Team act as administrators for the NFI within the authority.

The team manage the NFI and have facilitated the 2018/19 exercise. This is a lengthy and demanding piece of work which requires a considerable amount of officer time. Despite this, all the data was obtained from across the authority, loaded onto the NFI site matched and returned without incident. The NFI will continue to be managed reviews of these matches are being undertaken as a piece of work in the longer term throughout 2019/20.

Public Health and Protection Services

The Senior Financial Investigation Officer has continued to work closely with Public Protection, Environmental Health and Licensing to assist in tracing offenders and advising on the potential to utilise Proceeds of Crime Act 2002 legislation.

Department for Work and Pensions (DWP) Single Fraud Investigation Service (SFIS)

Investigation of Housing Benefit Fraud transferred to the DWP in September 2015; however, the DWP have requested, with effect from January 2019, that the Council works with them to jointly investigate cases where claimants are in receipt of both Housing Benefit and Council Tax Reduction. Due to the DWP (Local SFIS) undergoing an internal review there has been no increase the number of investigations to date but the ongoing impact of this arrangement will be closely monitored.

The Senior Financial Investigation Officer continued to work with colleagues in Customer Services and Benefits to counter benefit fraud, but this is in the context of a formal Service Level Agreement (SLA) with DWP for the joint management of HB fraud cases. The major work on each HB case is the responsibility of SFIS. CCC retains a liaison role in referring cases of suspected HB fraud to SFIS and handling requests for information, dealing with the cases of suspected CT Reduction Scheme (CTRS) fraud that are often linked to HB cases.

Joint Working Arrangements with Epping Forest District Council (EFDC)

The informal joint working arrangement with the EFDC fraud section has continued this year and sets to continue into 2020. This is an informal arrangement relating to the sharing of antifraud staff and resources. Chelmsford City Council provide Proceeds of Crime Act / Financial Investigations to EFDC as part of this arrangement.

This provides a significant advantage to the Council as it enables us to recover financial losses due to criminal activity, as well as the ability to tackle broader criminal conduct.

The use and promotion of Accredited Financial Investigator Services

The Team's Proceeds of Crime capabilities will continue to be marketed to other authorities with Memorandums of Understanding (MoUs) in place with six neighbouring Councils. There are two ongoing PoCA investigations with neighbouring Authorities and a potential planning case which is due to be reviewed in early December.

Financial Investigators are empowered to apply for various investigative powers pursuant to a court order agreed by a Crown Court judge. The most common applications made by the council are:

- a) Production orders. The purpose of a production order is to obtain material relating to a known person or business, such as bank statements, conveyance files etc.
- b) Restraint orders. The order has the effect of freezing property, including money and assets anywhere in the world that may be liable to confiscation following the trial. The aim of the order is to strike a balance between keeping the defendant's assets available to satisfy any confiscation order which may be made in the event of conviction and meeting the defendant's reasonable requirements in the meantime. In these cases, if there is a successful prosecution then a portion of these restrained assets will be passed over to the Council.

Promoting best practice, sharing information and providing support to the wider antifraud community

The Senior Financial Investigation Officer continues to be actively involved with The Eastern Corporate Fraud Group, which meets quarterly. The group aims to bring together counter fraud professionals from local authorities in Essex and Suffolk in a meaningful forum to discuss and promote best practice, form agreements and partnerships for information sharing and offer support and resources to carry out investigations etc.

The Senior Financial Investigator continues their active role within the Local Authority Financial Investigators Forum sharing information and intelligence and training opportunities.

Appendix A – Inherent Fraud Risk Assessment 2019 (Draft)

Ref	Fraud Risk Area	Description	Inherent Risk*	External Fraud	Internal Fraud	Facilitated (Collusion)	Notes on rating (highlights only)	Counter-fraud approach
CFR 001	Council tax	Abuse of local council tax support, single person and other discounts, refund scams, failure to register (Rising 18's)	Very High	✓	√	√	Highest volume of all local authority fraud cases surveyed per CFRACT 2019; focus of joint-working initiatives with DWP/SFIS	Pro-active Fraud Team work
CFR 002	Social housing & tenancy fraud	False applications, misallocation for personal gain, exchange and succession fraud, illegal subletting, Right to Buy/Right to Acquire	Very High	√	✓	√	High cost of placing tenants can result in significant financial savings; property recovery has direct impact on homelessness prevention; highest value of all local authority fraud cases surveyed per CFRACT 2019	Pro-active Fraud Team work
CFR 003	Procurement and contracting	Collusion to distort fair an open competition; collusion between bidders; submission of false documents for payment; collusion with contractors etc.	Very High	✓	✓	√	Focus of UK Government Anti-Corruption Strategy 2017-2022; 4th highest value of all local authority fraud cases surveyed per CFRACT 2019	Pro-active Procurement Services work
CFR 004	Non-domestic rates	Abuse of exemptions, discounts and reliefs; unlisted, vacant, extended premises; phoenixing; refund scams	Very High	✓	√	✓	Fourth highest, by volume and value, of all local authority fraud cases surveyed per CFRACT 2019.	Pro-active Fraud Team work
n/a	Data theft and other cyber crime	Data solicited or taken forcibly by external parties and/or used by insiders for personal gain, e.g. theft of personal data to perpetrate identify fraud.	Very High	√	√	√	Significant regulatory, financial and reputational impacts. To be considered separately as part of the Council's Cyber Risk Assessment.	Pro-active work by the SIRO
CFR 005	Decision- making	Corruption including bribery and improper influence, failure to declare conflicts/gifts, suppressing or providing false information to sway decisions or affect outcome	High	√	√	√	The Council responsible for awarding a wide range of permissions, concessions, licences and benefits (esp. planning)	Referrals to Fraud team
CFR 006	Insurance claims	False or exaggerated claims (esp. personal injury)	High	√	×	√	Increased volume of claims received by CCC and by Local Authorities nationally per CFRACT 2019; financial hardship increases fraud incentive	Referrals to Fraud Team
CFR 007	Mandate fraud	Diversion of payments, internally or following false requests (often cyber-enabled)	High	√	√	√	Inherent risk of high value transactions in various Council activities, including property development and treasury management	Referrals to Fraud Team
CFR 008	Grants to individuals and voluntary sector	False claims to secure a grant or demonstrate terms have been met, diversion of funds, abuse of position to award grants	High	√	√	√	Grant to the third sector a focus of UK Government Anti-Corruption Strategy 2017- 2022; high reputational risk in the event of proven conflict of interest	Referrals to Fraud Team

Ref	Fraud Risk Area	Description	Inherent Risk*	External Fraud	Internal Fraud	Facilitated (Collusion)	Notes on rating (highlights only)	Counter-fraud approach
CFR 009	Corporate property	Purchase, sale or letting of property at anything other than market value/rate; provision of services without charge	High	×	✓	√	High value transactions, Council reliance on income, specialist technical area, susceptibility to influence at senior level	Referrals to Fraud Team
CFR 010	Recruitment	False applications and identity fraud	High	✓	×	✓	Penalties for Right to Work infringement; enabler of other fraud once employed	Referrals to Fraud Team
CFR 011	Payroll and expenses	False entries, inflation of payments, false claims for expenses and overtime, abuse of medical and other absences	Medium	×	√	×	Large and complex payroll with a number of schemes.	Referrals to Fraud Team
CFR 012	Income collection fraud – other	Abuse of payment card data; invalid discount or other reduction in fees, invalid cancellation or refunds	Medium	√	✓	√	Large number of disparate income sources and systems; Council reliance on selfgenerated income	Referrals to Fraud Team
CFR 013	Manipulation of data/ false accounting	Omitting or making misleading, false or deceptive entries in a document or account	Medium	×	✓	√	Enabler of other types of fraud.	Referrals to Fraud Team
CFR 014	Parking concessions	Blue Badge fraud – counterfeit badges; owners absent or deceased.	Medium	√	×	√	Opportunity cost of missed parking fees (significant income stream for the Council); reputational impact of current 'hot topic'	Referrals to Fraud Team
CFR 015	No recourse to public funds	False eligibility for Housing allocation, homelessness support, housing benefit, council tax support	Medium	√	×	√	Limited individuals involved; however frequently overlooked by local authorities	Referrals to Fraud Team
CFR 016	Money laundering	Exchanging money or assets that were obtained criminally for money or other assets that are 'clean'.	Medium	√	*	✓	Susceptibility due to large transactions	Referrals to Fraud Team
CFR 017	Theft	Of cash (and equivalents e.g. funds via procurement cards) and other assets for resale or personal use, including IT equipment, stores, fuel	Medium	√	√	√	Cash use is reducing but still widespread; large range of assets with inevitable element of trust	Referrals to Fraud Team
CFR 018	Misuse of Council assets	Use of Council assets for personal gain at detriment to the Council (e.g. vehicle misuse causing damage or other risk exposure, occupation of Council property preventing revenue generation)	Medium	×	√	√	Large range of assets with inevitable element of trust	Referrals to Fraud Team
CFR 019	Voting fraud	Fraudulent acts by voters, canvassers, poll clerks and officers, and/or count staff	Medium	√	✓	√	Integrity of the vote is a reputational risk.	Referral to Returning Officer

^{*}N.B. Inherent Risk indicates the Council's fraud risk profile <u>before</u> local controls/other mitigation are considered. The rating considers: the latest external sources indicating higher risk areas for all similar local authorities; the scope and focus of Chelmsford City Council's activities; and the cumulative knowledge and experience of the CCC Fraud Team.

Key to abbreviations: CFRACT 2019 = CIPFA Counter Fraud and Corruption Tracker 2019 / SIRO = Senior Information Risk Officer (Director of Connected Chelmsford)



AUDIT & RISK COMMITTEE 18th December 2019

AGENDA ITEM 10

Subject	AUDIT & RISK COMMITTEE WORK PROGRAMME
Report by	DIRECTOR OF FINANCIAL SERVICES

Enquiries contact: Elizabeth Brooks, Audit Services Manager

elizabeth.brooks@chelmsford.gov.uk

Purpose

This report updates the rolling programme of work for this Committee.

Recommendation(s)

• That the rolling programme of work for the Committee is agreed.

Corporate Implications	
Legal:	The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). A number of recent legislative changes have emphasised the importance of the Audit & Risk Committee. Key developments include: • the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) • updates to the PSIAS in 2016 and 2017 • the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)
Financial:	N/a
Personnel:	N/a
Risk Management:	The role of the Audit & Risk Committee in relation to risk management covers: assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks; keeping up to date with the risk profile and the effectiveness of risk management actions and; monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.
Equalities and Diversity:	N/a
(For new or revised	
policies or procedures	
has an equalities impact	

assessment been carried out? Y/N)	
Health and Safety:	N/a
IT:	N/a
Other:	n/a

Consultees	n/a

Policies and Strategies n/a

1. <u>Introduction</u>

- 1.1 It is important that the Audit & Risk Committee has sufficient skills to discharge its duties. The Council will provide training on a rolling basis to Audit & Risk Committee members on key topics that form part of the duties under their Terms of Reference. It is proposed a training and awareness session will be held for a specific subject before each Audit & Risk Committee, as detailed below.
- 1.2 The Audit & Risk Committee also works to a standard programme of work to ensure that their work is spread evenly across meetings, as far as possible, and to ensure that core reports are produced at the appropriate time within the Council's reporting timetable.

2. Rolling Programme of Work

2.1 Many of the reports submitted to this Committee are presented on a cyclical basis and can be timetabled for particular meetings. However, from time to time additional reports are requested which are presented to future meetings. The proposed rolling programme of work for this Committee for the next series of meetings is shown below.

25th March 2020

Training Topic	Internal Audit Annual Plan	
External Audit Annual Audit Letter		
Certification of Claims Returns	BDO	
External Audit Annual Audit Plan 2019/20		
Internal Audit Plan 2020/21	Audit Sanjaga Managar	
Internal Audit Charter 2020	- Audit Services Manager	
Risk Management Report	Procurement and Risk Services Manager	
Approval of Accounting Policies	Accountancy Services Manager	
Audit & Risk Committee Work Programme	Audit Services Manager	

17th June 2020

(Joint meeting with Governance Committee)

Training Topic	Annual Governance Statement
Review of the Local Code of Corporate Governance	Legal and Democratic Services Manager
Annual Governance Statement	Legal and Democratic Services Manager/ Director of Financial Services

17th June 2020 (Audit & Risk Committee)

Training Topic	Internal Audit Opinion	
External Audit Update	BDO	
Revenue (Outturn)	A consistency Consistence Manager	
Capital Monitoring (Outturn)	Accountancy Services Manager	
Internal Audit Annual Report 2019/20	Audit Services Manager	
Audit & Risk Committee Annual Report 2019/20		
Review of the Audit & Risk Committee's Terms of Reference		
Audit & Risk Committee Work Programme	Audit Services Manager	

29th July 2020

External Audit Presentation	BDO
Sign-off 2019/20 Accounts	Director of Financial Services
International Standard on Auditing (ISA) 260 - requires the Council's External Auditors to report to those charged with governance those relevant matters arising from the audit prior to issuing the Statement of Accounts	BDO

23rd September 2020

Training Topic	ТВС
External Audit Annual Audit Letter	BDO
Risk Management Report	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

List of Appendices

Nil

Background Papers

Nil