

Agenda

Audit and governance committee

Date: **Monday 28 June 2021**

Time: **10.30 am**

Place: **Three Counties Hotel, Belmont Road, Belmont,
Hereford, HR2 7BP**

Notes: Please note the time, date and venue of the meeting.

For any further information please contact:

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If you would like help to understand this document, or would like it in another format, please call Ben Baugh on 01432 261882 or e-mail ben.baugh2@herefordshire.gov.uk in advance of the meeting.

Agenda for the meeting of the Audit and governance committee

Membership

Chairperson **Councillor Nigel Shaw**
Vice-Chairperson **Councillor Christy Bolderson**

Councillor Dave Boulter
Councillor Peter Jinman
Councillor Bob Matthews
Councillor Yolande Watson
Councillor Jenny Bartlett

Agenda

THE PUBLIC RIGHTS TO INFORMATION AND ATTENDANCE AT MEETINGS

THE NOLAN PRINCIPLES

1. APOLOGIES FOR ABSENCE

To receive apologies for absence.

2. NAMED SUBSTITUTES (IF ANY)

To receive details any details of members nominated to attend the meeting in place of a member of the committee.

3. DECLARATIONS OF INTEREST

To receive declarations of interests in respect of Schedule 1, Schedule 2 or Other Interests from members of the committee in respect of items on the agenda.

HOW TO SUBMIT QUESTIONS

Deadline for receipt of questions is 5.00 pm on 22 June 2021 (3 clear working days from date of meeting).

Questions must be submitted to councillorservices@herefordshire.gov.uk. Questions sent to any other address may not be accepted.

Accepted questions and the response to them will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at <https://www.herefordshire.gov.uk/getinvolved>

4. QUESTIONS FROM MEMBERS OF THE PUBLIC

To receive questions from members of the public.

5. QUESTIONS FROM COUNCILLORS

To receive any questions from councillors.

6. MINUTES

To approve and sign the minutes of the meeting held on 4 May 2021.

7. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed. To enable the committee to monitor performance of the internal audit team against the approved plan.

8. COUNTER FRAUD AND CORRUPTION STRATEGY UPDATE

For the committee to review and approve the updated Counter Fraud and Corruption Strategy 2021-2024 attached at appendix A and consider recommendations for improvements. The strategy has been updated following the committee's initial review at its meeting on 26 January 2021.

9. WORK PROGRAMME UPDATE

To provide an update on the work programme for the committee.

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The Public's Rights to Information and Attendance at Meetings

YOU HAVE A RIGHT TO: -

- Attend all Council, Cabinet, Committee and Sub-Committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the Council and all Committees and Sub-Committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public register stating the names, addresses and wards of all Councillors with details of the membership of Cabinet and of all Committees and Sub-Committees.
- Have access to a list specifying those powers on which the Council have delegated decision making to their officers identifying the officers concerned by title.
- Copy any of the documents mentioned above to which you have a right of access, subject to a reasonable charge (20p per sheet subject to a maximum of £5.00 per agenda plus a nominal fee of £1.50 for postage).
- Access to this summary of your rights as members of the public to attend meetings of the Council, Cabinet, Committees and Sub-Committees and to inspect and copy documents.

Observing meetings

Meetings will be streamed live on the Herefordshire Council YouTube Channel at <https://www.youtube.com/HerefordshireCouncil>. The recording of the meeting will be available shortly after the meeting has concluded.

Recording of this meeting

Please note that filming, photography and recording of this meeting is permitted provided that it does not disrupt the business of the meeting.

Members of the public are advised that if you do not wish to be filmed or photographed you should let the governance services team know before the meeting starts so that anyone who intends filming or photographing the meeting can be made aware.

The reporting of meetings is subject to the law and it is the responsibility of those doing the reporting to ensure that they comply.

The council is making an official recording of this public meeting. These recordings form part of the public record of the meeting and are made available for members of the public via the council's web-site.

Guide to Audit and Governance Committee

The Audit and Governance Committee is a non executive committee of the council. The committee consists of 7 non executive councillors and may include an independent person who is not a councillor.

Councillor Nigel Shaw (Chairman)	Conservative
Councillor Christy Bolderson (Vice Chairman)	Conservative
Councillor Jenny Bartlett	Green
Councillor Dave Boulter	Herefordshire for Independents
Councillor Peter Jinman	Herefordshire for Independents
Councillor Bob Matthews	True Independents
Councillor Yolande Watson	Herefordshire for Independents

The purpose of the audit and governance committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes. The committee do this by:

- (a) ensuring the effective and fully compliant governance of the council and in particular to ensure that all aspects of the financial affairs of the council are properly and efficiently conducted;
- (b) reviewing and approve the council's annual governance statement, annual statements of account, the contract procedure rules and financial procedure rules;
- (c) scrutinise the effectiveness of, and management compliance with, the systems identified in the annual governance statement framework;
- (d) monitor the progress made by management in implementing improvements to elements of that framework identified by external or internal audit review; and.
- (e) reviewing the constitution and recommending any necessary amendments to Council as appropriate.
- (f) reviewing the corporate risk register

**The Seven Principles of Public Life
(Nolan Principles)**

1. Selflessness

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

2. Integrity

Holders of 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.

3. Objectivity

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

4. Accountability

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

5. Openness

Holders of 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 so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of 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.

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Minutes of the meeting of Audit and governance committee held at Online meeting on Tuesday 4 May 2021 at 10.15 am

Present: Councillor Nigel Shaw (chairperson)
Councillor Christy Bolderson (vice-chairperson)
Councillors: Dave Boulter, Peter Jinman, Bob Matthews, Diana Toynbee and Yolande Watson

Officers: Head of corporate finance, head of corporate performance, interim head of legal services, assistant director all ages commissioning, assistant director adult social care, assistant director talk community and head of educational development

62. APOLOGIES FOR ABSENCE

There were no apologies for absence.

63. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

64. DECLARATIONS OF INTEREST

There were no declarations of interest.

65. MINUTES

RESOLVED:

That the minutes of the meeting held on 16 March 2021 be confirmed as a correct record and signed by the chairman.

66. QUESTIONS FROM MEMBERS OF THE PUBLIC

There were no questions from members of the public.

67. QUESTIONS FROM COUNCILLORS

There were no questions from councillors.

68. CORPORATE RISK REGISTER

The head of corporate performance introduced the report, details of which are outlined in the agenda pack for the meeting.

It was noted that the interim director of children's services will be reviewing the children and families risk registers which will be taking place during May 2021 after the forensic deep dive.

A new risk performance framework had been implemented last year and was due to be reviewed over the next couple of months. There had been changes over

the 3 months and the risk registers look different to those presented last year. The position was improving but further work will be required.

The head of corporate performance agreed to provide a written statement on what the wording in paragraph 6 of the report (*"The improving position with COVID-19 locally since the last report to committee, as well as the updated Local Outbreak Management Plan and financial commitments for some dedicated staff for the coming year"*) was in relation to.

Where there were changes, updates or amendments on the risk registers, it was agreed that these were highlighted to aid the committee to see them.

It was explained that the transformation work should be identified in the mitigating actions for the relevant risks.

There would be further work on the horizontal and vertical aggregation of the risks to ensure that they are captured appropriately.

It was commented that the corporate services risk CS22 looked like a copy of CS21. It was noted that the public health department and Fastershire sat in the corporate centre and that was the reason why their risks were set out in that risk register.

There were a number of risks in connection with budgets across the risk registers and a longstanding budget risk in children's services. There would be work undertaken on these risks to see if the risks should be aggregated and then sat on just the corporate risk register rather than individual risk registers. The deputy S151 officer also explained that performance and budget were reported to Cabinet on a quarterly basis but that consideration would be given to the role of the audit and governance committee.

The committee indicated that they would welcome further training on the risk framework, either as a joint session with the Leadership Team or just for the committee.

It was noted that having a risk register means that risks have been identified which should assist the management team in dealing with them. It was felt that ensuring there was wider communication of the risk register(s) would aid awareness.

The risk registers should be aligned to service business planning and then risks are escalated / de-escalated as appropriate.

The committee agreed that there would be need to be further consideration of identifying 1 or more risks in the directorate risk registers and undertake a deep dive to provide assurance that the risk management framework was being applied appropriately.

RESOLVED that

Consideration be given to the committee identifying one or more risks to undertake a deep dive on a directorate risk register.

69. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

70. The chairperson used his discretion and moved this item to the first substantive item for discussion.

The head of corporate performance introduced the report, details of which are outlined in the agenda pack for the meeting.

In respect of the outstanding actions which are as set out in appendix A to the report, the head of educational development, assistant director all ages commissioning, assistant director adult social care and assistant director talkcommunity were present to answer committee member questions.

Property maintenance for schools

An update was provided and it was confirmed that the action would be completed by the revised completion date of September 2021.

It was noted that the head of educational development had only been in post for approx. 1 year and the internal audit action had not been brought to their attention. The head of corporate performance and interim deputy monitoring officer agreed to look at the processes for ensuring internal audit actions are brought to the attention of new post holders.

Domiciliary Care (Re-tendering of HomeCare)

This was a long standing piece of contract and the contract had been extended to October 2021. The work was ongoing and there had been an all members' briefing, there would be a report to scrutiny and then cabinet would be taking the decision.

It was confirmed that there was a comprehensive review of income charging being undertaken. Income charge was defined as any revenue coming into the council from, e.g. service users.

Continuing Health Care (CHC)

It was acknowledged that there had been a delay due to Covid-19.

The dispute process was being finalised and there was no indication that the deadline could not be met. There will be a report to scrutiny on how CHC assessments would be undertaken in the future.

Healthy Lifestyles

An update on the actions was provided and all bar 1 had now been completed and would be completed by the revised target date.

It was noted that the healthy lifestyles team had been re-deployed as link workers during the Covid-19 pandemic.

General

It was confirmed that where any internal audits identified priority 1 or 2 recommendations, then there was a planned follow up process to review the completion of the actions.

It was commented that it may be helpful for the scrutiny committees to receive details of internal audit actions and follow up actions.

The committee suggested that a discussion with internal audit take place at the next meeting with regard to sampling of priority 3 actions are followed up by internal audit in line with the same way as priority 1 or 2 recommendations.

RESOLVED:

The status of current audit recommendations be reviewed and the committee determine any recommendations it wishes to make in order to provide further assurance that risks identified by audit activity are being actively managed

70. RE-THINKING GOVERNANCE WORKING GROUP

The interim head of legal services introduced the report, the details of which are included within the agenda pack.

The request to move the audit and governance committee meeting from 16 June to 28 June at 10.30 am was agreed which would mean that re-thinking governance working group's recommendations could be presented to Council in July 2021.

RESOLVED that

The recommendations from the re-thinking governance working group in connection with changes to the Council's constitution be deferred until later in the municipal year 2021/22.

71. WORK PROGRAMME UPDATE

As part of the recent high court judgement in children's services, it had been raised that the whistleblowing process and policy was not sufficiently robust. The monitoring officer was requested to consider how she could provide further assurance to the committee that the process, as updated last October, is functioning appropriately. It was agreed that an update on the whistleblowing policy be added to the work programme for the meeting to be held on 30 July 2021.

RESOLVED that

Subject to any updates made by the committee, the work programme for the audit and governance committee be agreed.

The meeting ended at 12.21 pm

Chairperson

COMPLETED ACTIONS WILL BE MOVED TO THE 'REPORTED COMPLETE' TAB ONCE THEY HAVE BEEN							
Action Number	Meeting Date	Action	Owner	Directorate	Progress Update	Due date	Reported complete
74	17 November 2020	The chief finance officer and monitoring officer consider that the Hereford city centre transport governance review undertaken by internal audit be circulated to the committee.	Solicitor to the Council	Corporate Support Centre	Matter still under consideration by solicitor to the council.	01 July 2021	
80	26 January 2021	The flowchart in the strategy be amended to include a lessons learnt feedback to management.	Counter Fraud Specialist	Corporate Support Centre	Revised strategy due to be presented to committee at its June 2021 meeting	28 June 2021	Yes
81	26 January 2021	Within the strategy where there are references to other pages, policies or documents include the relevant links to the relevant webpage or website.	Counter Fraud Specialist	Corporate Support Centre	Revised strategy due to be presented to committee at its June 2021 meeting	28 June 2021	Yes
82	26 January 2021	The role of the committee in connection with the strategy and the action plan be clarified.	Counter Fraud Specialist	Corporate Support Centre	Revised strategy due to be presented to committee at its June 2021 meeting	28 June 2021	Yes
83	26 January 2021	Quarterly updates to the committee be considered.	Counter Fraud Specialist	Corporate Support Centre	Updates will be provided via the internal audit progress updates.	28 June 2021	Yes
84	26 January 2021	Clarification to be provided as to who should be sign the strategy	Counter Fraud Specialist	Corporate Support Centre	Revised strategy due to be presented to committee at its June 2021 meeting	28 June 2021	Yes
85	26 January 2021	Change the statement on page 123 of the agenda pack to the council was attempting to be fully compliant with the relevant legislation.	Counter Fraud Specialist	Corporate Support Centre	Revised strategy due to be presented to committee at its June 2021 meeting	28 June 2021	Yes
86	26 January 2021	The strategy come back to the committee for approval when it has been amended	Counter Fraud Specialist	Corporate Support Centre	Revised strategy due to be presented to committee at its June 2021 meeting	28 June 2021	Yes
87	26 January 2021	Further work be undertaken to provide clarity when the council needed technical assistance in developing a tender and whether or not the organisation who had assisted could or could not bid on the work being tendered.	Head of corporate services	Corporate Support Centre	Work in progress	01 June 2021	
89	16 March 2021	That the wording for EP19 [planning applications validating and registering in time] and EP23 [planning applications at committee against officer recommendation] be reworded to appropriately reflect the risks.	Head of corporate performance	Corporate Support Centre	Escalated with E&P directorate	04 May 2021	
90	16 March 2021	That consideration be given to the inclusion of a risk in connection with the River Lugg position statement which may mean that there is a potential impact of disproportionate housing allocation in certain parts of the county.	Head of corporate performance	Corporate Support Centre	Escalated to E&P directorate, awaiting confirmation. Risks in relation to the Lugg condition and housing supply across the county are already held at directorate level risk registers	01 June 2021	

Action Number	Meeting Date	Action	Owner	Directorate	Progress Update	Due date	Reported complete
91	16 March 2021	Consider how corporate centre will look at the aggregation of similar risks in or across directorates.	Head of corporate performance	Corporate Support Centre	A process to define the approach to aggregation of risks, both horizontal and vertical, needs further definition and testing. This will be included as part of the refreshed Risk Management Plan, for completion during Summer.	01 June 2021	
92	16 March 2021	Changes in the risk registers to be highlighted to aid the committee in identifying when changes have been made.	Head of corporate performance	Corporate Support Centre	A table to show changes to directorate risk registers	04 May 2021	
93	16 March 2021	Copy of the significant partnerships internal audit be circulated to the committee	Monitoring officer	Corporate Support Centre	Circulated to committee members on 5 May 2021	04 May 2021	Yes
94	04 May 2021	The head of corporate performance and interim deputy monitoring officer agreed to look at the processes for ensuring internal audit actions are brought to the attention of new post holders.	Head of corporate performance and interim DMO	Corporate Support Centre		28 June 2021	
95	04 May 2021	The committee suggested that a discussion with internal audit take place at the next meeting with regard to sampling of priority 3 actions are followed up by internal audit in line with the same way as priority 1 or 2 recommendations.	SWAP	Corporate Support Centre	To be discussed at committee meeting to be held on 28 June 2021	28 June 2021	
96	04 May 2021	The head of corporate performance agreed to provide a written statement on what the wording in paragraph 6 of the report ("The improving position with COVID-19 locally since the last report to committee, as well as the updated Local Outbreak Management Plan and financial commitments for some dedicated staff for the coming year") was in relation to.	Head of corporate performance	Corporate Support Centre	The risk of CRR.57 – the impact of COVID on Public Health work was reduced between January and the end of March. Since the end of January, there has been a reduction in the number of COVID cases within Herefordshire, and the Local Outbreak Management Plan has been updated. In addition, there has been confirmation of additional money through the COMF (Contain Outbreak Management Fund) grant, which has enabled the recruitment of dedicated staff for the next year. This has resulted in Public Health teams being able to spend more time on BAU priorities, and in turn a reduced likelihood of the risk occurring. This reduction has led to the risk dropping below the threshold for the corporate risk register.	18 June 2021	Yes
97	04 May 2021	The deputy S151 officer also explained that performance and budget were reported to Cabinet on a quarterly basis but that consideration would be given to the role of the audit and governance committee.	S151	Corporate Support Centre	Being considered	28 July 2021	
98	04 May 2021	The committee indicated that they would welcome further training on the risk framework, either as a joint session with the Leadership Team or just for the committee.	Head of corporate performance	Corporate Support Centre	Suggest that options could be considered at the Risk Management Plan review session on June 25th.	25 June 2021	

Action Number	Meeting Date	Action	Owner	Directorate	Progress Update	Due date	Reported complete
99	04 May 2021	The committee agreed that there would be need to be further consideration of identifying 1 or more risks in the directorate risk registers and undertake a deep dive to provide assurance that the risk management framework was being applied appropriately.	Head of corporate performance	Corporate Support Centre	Suggest that options could be considered at the Risk Management Plan review session on June 25th.	25 June 2021	
100	04 May 2021	Whistleblowing report to be scheduled for committee meeting on 30 July	Solicitor to the Council	Corporate Support Centre	Scheduled for 30 July meeting	28 July 2021	
100	04 May 2021	Move audit and governance committee from 16 June to 28 June 2021	Democratic services	Corporate Support Centre	Completed		Y



Title of report: Progress report on internal audit activity

Meeting: Audit and governance committee

Meeting date: Monday 28 June 2021

Report by: Chief finance officer / head of internal audit

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose

To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed. To enable the committee to monitor performance of the internal audit team against the approved plan.

To assure the committee that action is being taken on risk related issues identified by internal audit. This is monitored by acceptance by management of audit recommendations and progress updates in implementing the agreed action plans. In addition, audit recommendations not accepted by management are reviewed and progress to an appropriate recommendation to cabinet if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the council's control environment.

Recommendation(s)

That:

- (a) performance against the approved plan be reviewed and any areas for improvement identified;**
- (b) consider the assurances provided and the recommendations which the report makes, commenting on its content as necessary;**
- (c) the proposed 2nd quarter internal audit plan 2021-22 on page 32 of appendix A be reviewed and the committee determine any recommendations it wishes to make regarding the level and range of activity proposed in order that the work**

Further information on the subject of this report is available from
Andrew Lovegrove, , email: Andrew.Lovegrove@herefordshire.gov.uk

carried out may give a satisfactory level of assurance over the council's corporate governance arrangements; and

(d) To note the Corporate Fraud Update

Alternative options

1. There are no alternative recommendations; it is a function of the committee to consider these matters in fulfilling its assurance role.

Key considerations

2. The internal audit progress report is attached at appendix A. In the period covered by the report, six priority 2 recommendations have been made for the 2020-21 audit plan and no priority 2 recommendations for the 2021-22 plan. .
3. The internal audit progress report provides an update to members on the impact to the plan of additional audits. Since the last report to the Committee in March 2021 no additional audits have been added to the 2020-21 plan and six audits have been added to the 2021-22 quarter 1 plan.
4. A glossary of terms is also provided in the report.

Community impact

5. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

Environmental Impact

6. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

7. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy

Equality duty

8. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
9. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a progress report, we do not believe that it will have an impact on our equality duty.

Resource implications

10. None arising from the recommendations; any additional recommendations made by the committee will be considered by the relevant manager or cabinet member and the financial implications of accepting those recommendations will be considered then.

Legal implications

16. None.

Risk management

17. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of progress against the agreed internal audit plan.

18. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is reported to this committee every six months.

Consultees

None.

Appendices

Appendix A – SWAP Internal Audit plan progress report 2020-21

Appendix B – Internal Audit Definitions

Appendix C – Internal Audit Work Plan

Appendix D – Proposed 2020/21 Q2 Internal Audit Plan

Appendix E – Counter Fraud Update (joint update with Herefordshire Council)

Background papers

None identified.

Appendix A

Herefordshire Council

Report of Internal Audit Activity

- Plan Progress 2020/21– as of 27 May 2021
- Plan Progress 2021/22– as of 27 May 2021
- Proposed 2021/22 Quarter 2 Plan
- Counter Fraud Update

Contents

The contacts at SWAP in connection with this report are:

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SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Internal Audit Plan Progress 2020/2021 and 2021/22

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for Herefordshire Council is provided by SWAP Internal Audit Services (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Chartered Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and the CIPFA Local Government Application Note. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 16 March 2021.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Outturn to Date



Internal Audit Work Programme

The schedule provided at Appendix C contains a list of:

- all audits as agreed in the Revised Annual Audit Plan 2020/21 presented to this Committee at its meeting on 14th October 2020; and
- all audits agreed for the quarter 1 2021/22 plan presented to this committee at its meeting on 16th March 2021.

It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Internal Audit Plan Progress 2020/2021 and 2021/22

Outturn to Date



Internal Audit Work Programme

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in Appendix B of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service findings (priority 1 or 2), a summary of the key audit findings is given as part of this report. In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

2020/21 Progress

This is the progress report as of 27 May 2021. Since my last update eighteen audits have been completed, four audits are at report and there are nine audits in progress, in addition to this two follow up audits have been completed – details outlined further in the report.

The audits completed since my last update have the following assurance:

Audit	Assurance
Accounts Payable	Reasonable
Accounts Receivable	Reasonable
Council Tax	Reasonable
NNDR	Reasonable
Housing and Council Tax Benefits	Substantial
Commercial/Strategic Investments	Reasonable
Property Flood Resilience Support Scheme (Bellwin /Resilience Management)	Substantial

Internal Audit Plan Progress 2020/2021 and 2021/22

Outturn to Date



Internal Audit Work Programme

Audit	Assurance
S106 Agreements	Limited
Baseline Assessment for Maturity of Fraud	Advisory
Supporting Families Q4 (previously referred to as Troubled Families)	Reasonable – Grant Certification
Education Health Care Plans – Annual Reviews	Limited
Support for young people not in education, employment or training (NEET)	Reasonable
Emergency Active Travel Measures Tranche 2	COVID 19 – Advisory
Additional Dedicated Home to School and College Transport – Autumn Term	Reasonable – Grant Certification
Additional Dedicated Home to School and College Transport – Spring Term	Reasonable – Grant Certification
Revenue Grant Determination (Ring-Fenced COVID-19 Local Authority Compliance and Enforcement Grant for Lower Tier and Unitary Authorities Determination 2020: No 31/5216.	Reasonable – Grant Certification
Supervision Practices	Substantial
Cyber Security Framework Review	Advisory

2021/22 Progress

This is the progress report as of 20 March 2021. This is the first update for the 21/22 audit plan. Two audits have been completed, and there are three audits in progress. The audits completed since my last update have the following assurance:

Audit	Assurance
Funding for Travel Demand Management 2020/21 – No 31/5127	Reasonable – Grant Certification
Property Flood Resilience Support Scheme (Bellwin /Resilience Management) Quarterly Review – Quarter 1 (Yearly Report)	Reasonable – Grant Certification

Internal Audit Plan Progress 2020/2021 and 2021/22

Summary of significant High corporate risks



Significant Corporate Risks

We provide a definition of the 3 Risk Levels for Corporate risk applied within audit reports. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with 'High' corporate risks.

SWAP Performance - Summary of Limited Opinions



Summary of Limited Assurances and Significant Service Findings (Priority 1 and 2)

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit and Governance Committee.

2020/21

Of the eighteen audits completed this quarter two had a limited assurance (S106 Agreements and Education Health Care Plans – Annual Reviews) with three priority 2 findings and two had a reasonable assurance (Commercial Investments, Accounts Receivable) with three priority 2 findings.

S106 Agreements – Limited Assurance – two priority 2 actions

Finding 1: Management Board require a holistic view of the status of all received S106 agreements contributions, to permit discussion and challenge to promote expenditure to maximise the benefits to residents. Testing identified:

- gaps in information were identified that may be useful to senior management.
- there is no simple way of identifying the status of the S106 agreements.
- as of July 2020, there was unspent received monies which exceeded the repayment date of the S106 agreement.
- Some S106 records (contained within spreadsheets) had no expiry date.
- That whilst it is recognised in some instances there are valid reasons as to why monies have not been spent it must be acknowledged that inflation erodes the value of the S106 agreement monies unspent.
- that the culture towards spending S106 agreement contributions by some officers is one of only needing to spend by the repayment date.

SWAP Performance - Summary of Limited Opinions

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit and Governance Committee.



Summary of Limited Assurances and Significant Service Findings (Priority 1 and 2)

Agreed Action: Planning Obligations Manager – 08 February 2022

It is agreed that information in relation to section 106 monies held by council should be reported on a biannual basis to senior management. The council produces an Authority Monitoring Report, and this report could provide the basis for a new Management Board report which would offer a more holistic view of the status of all S106 agreements expenditure and activity. The report could also include the following information:

- Existing balances for all Section 106 agreements with monies exceeding the expiry date clearly identifiable.
- Date money received.
- Repayment date for money received.
- Number of years unspent money held.
- Action outstanding for each S106 agreement contribution received, including known reason for money unspent.

The councils Project Management Team (within Corporate Services) are in the process of reviewing the Management Board structure and processes of the council. The Planning Obligations Manager will contact the Head of Project Management to draw to their attention to the need to report corporately on the status of section 106 contributions so that they can consider which management board would be appropriate for the information to be reported to. A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to discuss who may report to the Board and how information is populated for the report.

Initial contact has been made with the Business World support team to look at the reporting functions within Business World to see if there is the capability to hold information on section 106 that is currently held on numerous spreadsheets. Initial discussions appear promising as other areas of the council report in Business World. The Planning Obligations Manager will formally ask the Business World support team to commence a piece of work to review the functionality of Business World. This piece of work will need to be built into their development programme and will incur a cost. We will need to consider who bears the cost of the work, whether it is a corporate requirement or a service area requirement.

SWAP Performance - Summary of Limited Opinions

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit and Governance Committee.



Summary of Limited Assurances and Significant Service Findings (Priority 1 and 2)

Finding 2: A Record of Officer's Decision (RoOD) is not consistently applied, where necessary to approve S106 agreement contribution expenditure. Without a consistent governance approach members and senior management may not be assured that adequate controls are in place. The Council requires openness and transparency, and inadequate governance has been identified in the past.

Agreed Action: Planning Obligations Manager – 08 May 2021

It is agreed that information in relation to section 106 spend by the council should be reported in an open and transparent manner, irrespective of the value. This can be done through the production of a Record of Officer Decision produced through Mod.Gov and published to the council website. A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to advise of the need to produce a Record of Officer Decision for all section 106 spends and to discuss whether this is reported individually or on a monthly basis with information on what has been spent that month.

With regards to reporting on the section 106 monies paid to external organisations, the Planning Obligations Manager will write to those organisations on a biannual basis outlining what money they have received and asking them to advise the council on what the monies have been spent. This information can be held in Civica against the planning application and published to the web against the planning application record. We could also consider how this information can be published to the decision-making section of the website.

Education Health Care (EHC) Plans – Annual Reviews – Limited Assurance – one priority 2 action

Finding: Of the 93 EHC Plans issued between 1 April 2019 and 31 October 2019, data analysis demonstrated there is no record on the Synergy system that 47 of the EHC Plans have a completed annual review process since being first issued. The Head of Additional Needs advised this may be because of a number of reasons e.g., review not highlighted as due, school not informed review due, information not requested, school did not complete the review, review completed but not forwarded to the Council and further work needs to be undertaken to investigate.

Agreed Action: Senior SEN Officer – 31 July 2021

Further investigation is to be undertaken by the service area on the 47 EHC Plans not recorded on the Synergy system as having an annual review.

SWAP Performance - Summary of Limited Opinions

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit and Governance Committee.



Summary of Limited Assurances and Significant Service Findings (Priority 1 and 2)

Commercial Investments – Reasonable Assurance – Two priority 2 actions

Finding 1: Monitoring of income and expenditure for Maylord shopping centre.

The shopping centre is managed by an agent under a contractual agreement which commenced in July 2020. The agent makes payments and collects income on behalf of the Council and should pay the net amount to the Council on a quarterly basis.

The following issues and control weaknesses were identified:

- Council checking of the entries in the agent's statements requires improvement.
- The agent did not pay the quarter three payment until it was chased by the Council in March 2021. The contract states that payments should be made quarterly.
- The agent's statement received in March 2021 did not include any dates to indicate the period it covered.
- Some expenditure items on the statements do not identify the shop or unit, so are difficult to check.
- The statement is sent in a PDF format, so it is more difficult to analyse costs. Additional information is provided by the agent in spreadsheet format, but this is not user-friendly.
- There is no financial plan or budget for the income and expenditure.
- The most recent payment from the agent included a significant deduction - £172k - for expenditure paid on behalf of the Council. Because this expenditure is deducted from the payment to the Council, the usual invoice authorisation process is not used.

Agreed Action:

- Assistant Director Technical Services – 31 July 2021 - Work has already started to address the issues identified and meetings have taken place with the agent and Finance officers. We will work with Finance to introduce or expand processes as required to ensure these issues are corrected – support from Finance will be necessary. The additional issues identified in the work by the Strategic Finance Project Manager will be included in this.
- Head of Corporate Finance – 30 September 2021 - A check will be performed by the Head of Corporate Finance to ensure corrective action is in place and working.

SWAP Performance - Summary of Limited Opinions

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit and Governance Committee.



Summary of Limited Assurances and Significant Service Findings (Priority 1 and 2)

Finding 2: Payment process control issue

A control issue was identified in the Council's payments process. The usual payments authorisation process can be bypassed if Council expenditure is deducted from a payment to the Council and there is no purchase order or invoice. The finding in paragraph 1 is an example of this and effectively £172k of Council expenditure was not authorised.

Agreed Action: Head of Corporate Finance – 31 January 2022

This will be addressed at the next review and update of the Council's Financial Procedural rules and processes updated as required.

Accounts Receivable - Reasonable Assurance – one priority 2 action

Finding: The Debt Recovery Policy and monthly reporting procedure are not up to date. These documents need to be updated to ensure that staff have the necessary detailed guidance to be able to complete tasks. In addition, little progress has been made to agree arrangements for referring cases for court action; there are outstanding issues around whether this can sit within the Revenues Team as previously done or needs to be referred to Legal Services. This needs to be agreed and set out within the Debt Recovery Policy, in order for the Revenues Team to be able to progress cases where further action may be required over the coming year.

Agreed Action: Revenues Manager and Head of Corporate Finance – 30 November 2021

Reporting procedure – the actual process for reporting is a historic one and needs a complete review. The Revenues Manager will look to utilise a new report that has been produced for aged debt that provides debts by cost code rather than collection code, giving more reliable figures; therefore, more precise. Once checked the Revenues Manager will produce a new procedure note with a more simplified process.

Debt Recovery Policy – Covid response work has delayed the scheduled update of this policy until November 2021. This will be dealt with by Head of Corporate Finance.

Court Process – Discussions have started, and the agreed process will be included in the Debt recovery Policy as this too has been delayed due to Covid response work.

Follow Up audits are completed where the auditor could only provide limited assurance.



Follow Up Audits

Follow Up audits are completed where the auditor could only provide limited (previously partial) assurance. The follow-up audit is to provide assurance to the Director, Senior Management and the Audit and Governance Committee that the key risks have been mitigated to an acceptable level of risk. Evidence is obtained to demonstrate implementation and progress made in relation to all 2019/20 priority 1 and 2 recommendations. For the priority 3 recommendations progress reported is based on self-assessment by relevant officers. Where a key control audit received Reasonable or substantial assurance, the key control is included in the plan to follow up on all recommendations to provide assurance that action has been taken to address the recommendations. For key control follow up audit evidence is obtained to demonstrate implementation and progress for all recommendations.

Follow up audits have been completed this quarter as identified below:

- Treasury Management
- Homepoint.

Summary of findings for actions not started/in progress:

Treasury Management

Agreed Action: The Head of Corporate Finance agreed to contact the HR Services Manager in order to facilitate the provision of monthly payroll figures when the payroll is run.

Follow Up Assessment: The Head of Corporate Finance stated that her team is still not receiving the monthly payroll figures from the payroll team. This will be addressed again, both by the Corporate Finance Manager, and also SWAP Internal Audit, as part of the ongoing payroll audit.

Original Agreed Target Date: 30th June 2020 **Revised Target Date:** 30th June 2021

Follow Up audits are completed where the auditor could only provide limited assurance.



Follow Up Audits

Homepoint

Agreed Action: Verto system is being reviewed to ensure system guidance and functionality is made available to ensure recording of relevant key project decisions.

Follow Up Assessment: The Head of Programme Management Office (PMO) advised that the functionality of Verto is sufficient for the Councils needs going forward, however the elements / boxes / terminology will be updated as part of the roll out of the standardised PMO process. Meetings are currently being held within the PMO team to agree the updates required to Verto. The new project management process will help bring more projects under the corporate regime and provide greater visibility. A suite of guidance and support documentation is part of the new PMO system to ensure that a consistent and standardised approach takes place. All new documentation will be placed on the project management Intranet site when complete.

Priority: 2 Original Agreed Target Date: 31st December 2020 **Revised Target Date:** 31st May 2021

Agreed Action: Agreed that good practice would be that all meetings have an agenda and a set of action notes. Capacity and priorities may be such that full minutes are not taken but agree that agenda, action points and decisions are captured at all project boards (regardless of whether capital or revenue projects). Use of VERTO provides a template for actions and decisions or action logs can be stored in the document store. Agreed that Project Boards should have a Terms of Reference (template is available).

Follow Up Assessment: The review of the PMO system is nearing completion with a suite of documentation being developed ready for issue on the Project Management intranet site. The new PMO process and documentation will ensure a standardised approach to meetings including Terms of Reference, Roles & Responsibilities, Agenda and minutes. Where the PMO team have been allocated to a project, the governance of the project and meetings will be managed by the PMO. All projects added to Verto will be required to comply with the corporate approach and use new standardised documentation. Training sessions on the new capital programme process have been held with the PMO Task & Finish Group, Members, Directors and officers. An e-Learning package is in development expected for June 2021. Please note that revenue service improvement/ transformational projects are to be incorporated into this wider management and process later in 2021 once the process is embedded within the organisation. It is anticipated that the roll out and embedding of the new process will take 12-18 months.

Priority: 3 Original Target Date: 31st December 2020 **Revised Target Date:** 31st May 2021

Internal Audit Plan Progress 2020/2021 and 2021/22

Follow Up audits are completed where the auditor could only provide limited assurance.



Follow Up Audits

Agreed Action: A process will be put in place to review and clear down the historic dormant online complete applications. This process will then be formally implemented for all new applications and reflected in the Allocations Policy. The Housing Solutions and Home Point Team Leader will investigate how the online incomplete cases can be managed/closed in the system.

Follow Up Assessment: The historic dormant online complete applications have been reviewed and cleared down. New reporting provisions are now in the process of being actioned as it was identified that to enable the correct procedures to be put in place there would need to be additions made to the current ABRITAS system and a small works order has now been raised with ABRITAS. The work will take up to three months. The changes will enable the team to run specific reports relating to bandings, waiting list reviews and bedroom eligibility. KPI's relating to monitoring of Band A – time limited status will also be available. The Home Point Team Leader explained the Council are currently able to report on the numbers registered on the system as live, those who are on-line complete awaiting documentation, those on-line incomplete, numbers housed, numbers of homelessness cases that have been prevented and the number of homeless cases that are in the relief stage.

Review of the Allocation policy is planned to be undertaken after 12 months of its implementation date, which is 22 June 2020.

Priority: 2 Original Target Date: 31st March 2018 Revised Target Date: 31st July 2021

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily, Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP, we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”. The following cross comparison reports have been shared across the Partnership:

Management of Fraud and Reporting

The objective of the cross-partner comparison report was to demonstrate how SWAP’s Partners manage fraud and the reporting processes.

Key Findings:

- All council’s had policies in place (available on internet and intranet) outlining how to report fraud, however some Council’ s used a range of other mediums including social media, newsletters and awareness campaigns. Not all Councils had a confidential reporting line in place.
- There were quite significant differences in terms of fraud training, some Councils provided training to all members and staff, some Councils had targets or were targeting specific groups and other Councils had not yet provided any training.
- All Councils had an Anti- Fraud and Corruption Strategy although there were variations in the names of this document and its content. Some Councils had a strategy and policy others had one document encompassing all information. Councils must ensure policies are up to date and are regularly reviewed.
- Majority of councils had a single point of contact with a central recording system, other Councils managed this in document/spreadsheet. Some Councils presented an annual fraud report to Audit Committee or equivalent, whereas others report to senior management.
- All Councils had a fraud response plan although it was noted some of these required an update. None of the Councils had a portfolio holder/member with dedicated responsibility for fraud. Although it was noted in some Council’s this fell within the remit of the finance portfolio holder. There were variations in the resources the council had, some councils had dedicated counter fraud teams, other had dedicated officers (counter fraud specialist officer) whereas some Councils encompassed fraud responsibility with risk for example.

Internal Audit Plan Progress 2020/2021 and 2021/22

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Risk Management Survey

The survey set out to establish whether Council's:

- submit an update or progress report on risk management to Audit Committee (or equivalent). If yes, how frequently
- submit an annual report on risk management to your Audit Committee?
- use a software system to record and report on risks. If yes, what supplier do you use and how much is the annual charge
- have a group that meets to discuss enterprise risks e.g., cross-service corporate governance group or equivalent. If yes, how frequently do they meet to consider risk management.

These results have been shared with the Corporate Performance Manager.

Effectiveness of Audit Committees

Following a report presented to Herefordshire Audit and Governance Committee on Performance & Effectiveness, The SWAP Assistant Directors was asked to share whether they had 1) carried out a similar assessment and 2) obtained feedback on its performance from those interacting with the committee or relying on its work?

The following questions were asked as part of the work:

- Is the effectiveness of the Audit committee reviewed each year and when was the last assessment carried out?
- Has the Audit Committee obtained feedback on its performance from those interacting with the committee or relying on its work and what process is in place for feedback.

The report has been shared with officers and members.

Internal Audit Plan Progress 2020/2021 and 2021/22

SWAP Performance - Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Limited
- No

We also undertake Advisory / Non-Opinion work on a consultancy basis where we have been asked to look at a specific area of potential concern.

Where we follow up on a previous adverse audit opinion the opinion is stated as follow up.

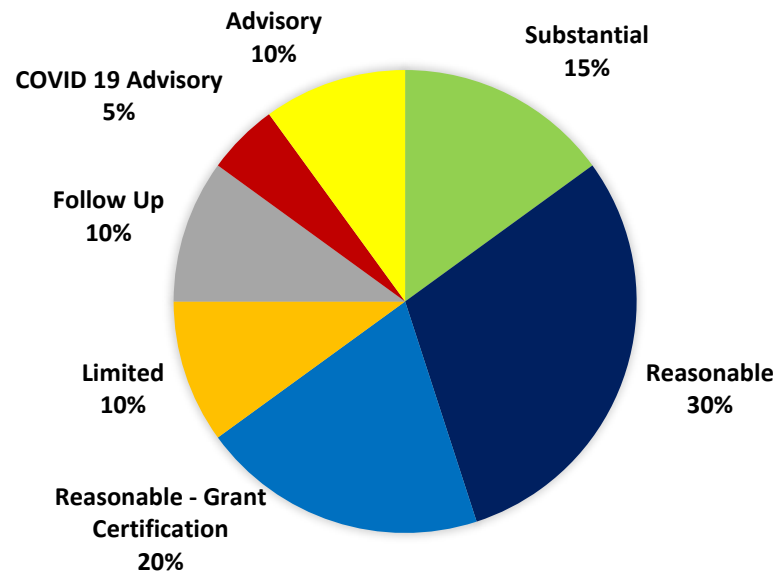


Summary of Audit Opinion 2020/21

Of the eighteen audits (twenty including the 2 follow ups) reported at final report in this quarter (June 2021) for the 20/21 plan the opinions offered are summarised below.

Note: this information has not been provided for 2021/22 Q1 as to date 2 audits have been completed, both of which were reasonable grant certifications with no recommendations made.

ASSURANCE CATEGORIES FOR THE JUNE 2021 UPDATE



Internal Audit Plan Progress 2020/2021 and 2021/22

SWAP Performance - Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Limited
- No

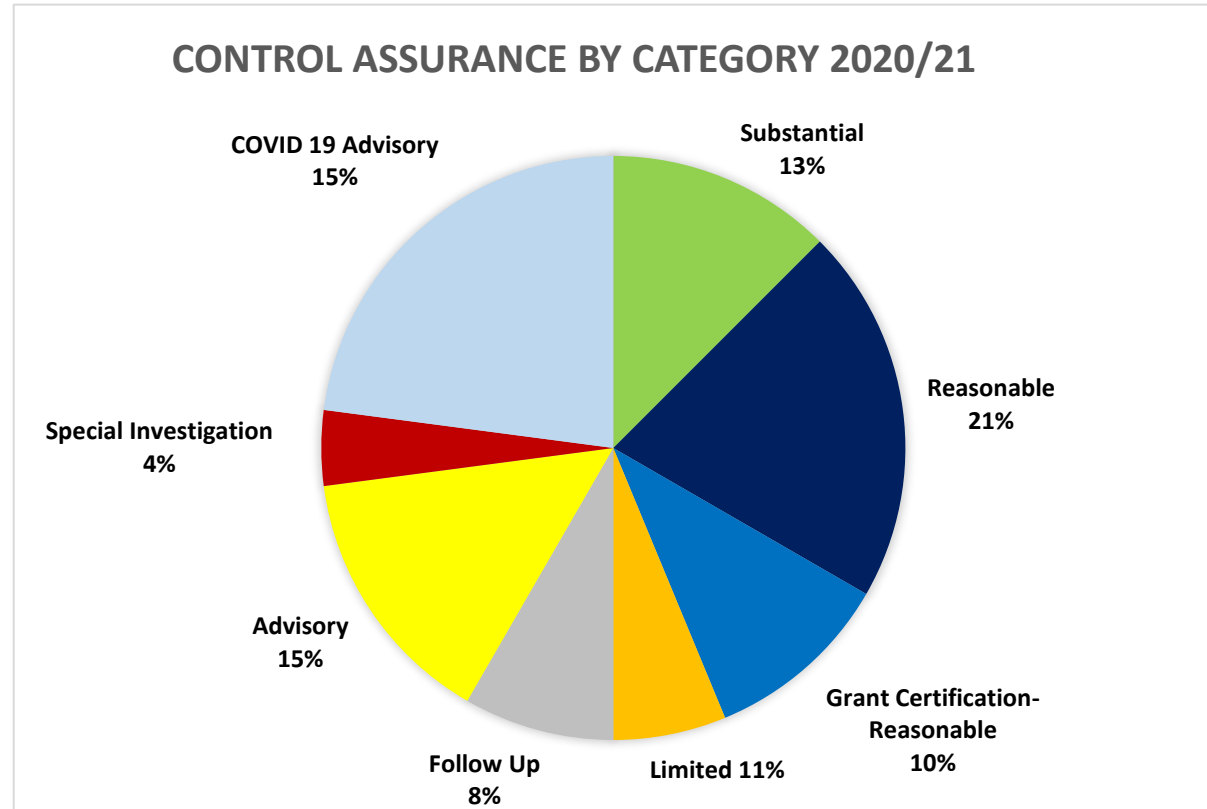
We also undertake Advisory / Non-Opinion work on a consultancy basis where we have been asked to look at a specific area of potential concern.

Where we follow up on a previous adverse audit opinion the opinion is stated as follow up.



Summary of Audit Opinion 2020/21

Of the reviews that have a final report for 2020/21 plan, the opinions offered are summarised below.



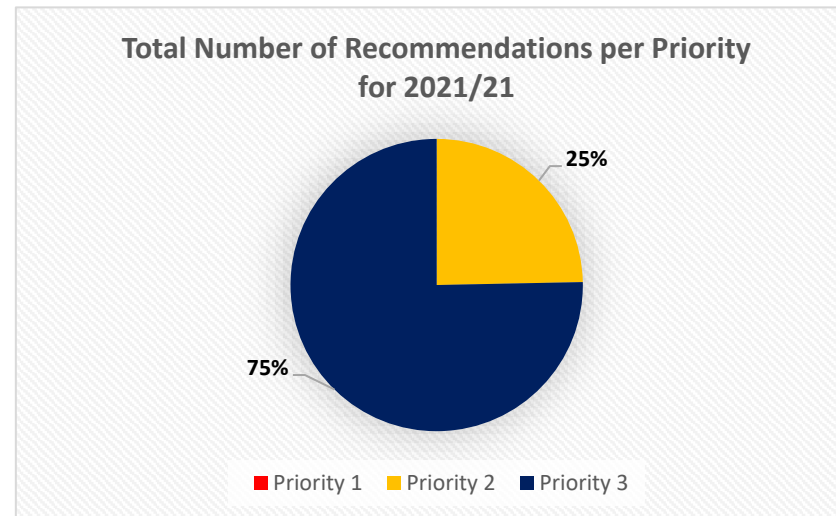
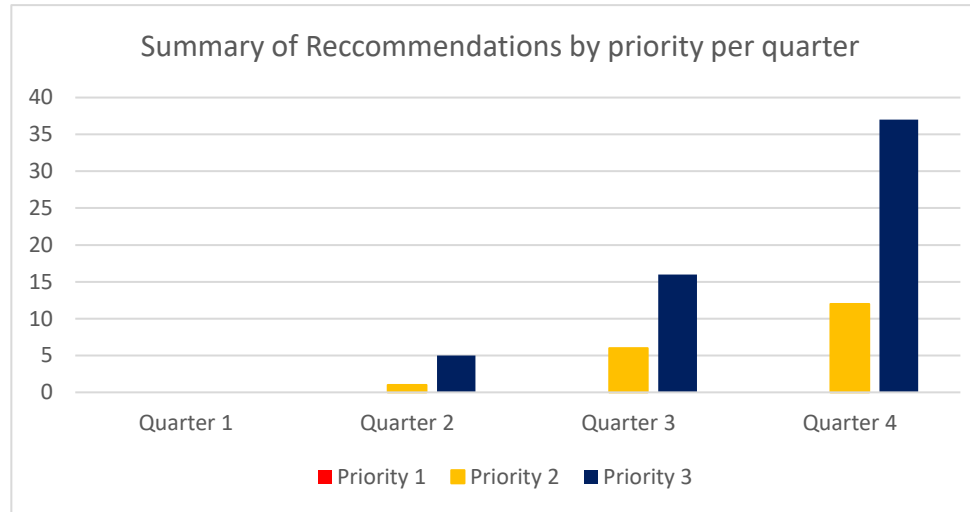
Internal Audit Plan Progress 2020/2021 and 2021/22

Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of fundamental concern requiring immediate corrective action.



Summary of Recommendations by priority per quarter for 2020/21



Internal Audit Plan Progress 2020/2021 and 2021/22

We keep our audit plans under regular review to ensure that we are auditing the right things at the right time.



Approved Changes to the Audit Plan

Unplanned work, special reviews or projects carried out on a responsive basis are requested through the Chief Finance Officer (Section 151 Officer). As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Chief Finance Officer (Section 151 Officer) and reported to this Committee.

2020/21 Plan

There have been a number of minor changes to the 2020/21 plan as follows:

- Client Finances is now being completed so as a result the proposed replacement audit 'Fraud Risk Assessment' will be completed in 2021/22.
- The ICT Governance Framework audit has been deferred with its days being used for the Cyber Security Framework review.

2021/22 - Q1

Since the Q1 Audit plan was presented and approved to the Committee on 16th March 2021 there have been requests for the following audits or Grant Determinations as a result of additional funding during the COVID -19 pandemic or due to the impact of COVID-19:

- Funding for Travel Demand Management 2020/21 – No 31/5127
- Local Authority Test And Trace Support Payment Scheme Funding Grant Determination 2020/21: No 31/5385.
- Local Authority Test And Trace Service Support Grant Determination 2020/21: No 31/5309 (originally identified in 2020/21 plan but moved in line with sign off requirements).
- Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5389.

Other changes to the plan are as follows:

- Addition of the Property Flood Resilience Support Scheme (Bellwin /Resilience Management) Quarterly Review – Quarter 1 (Yearly Report) – Grant Certification
- Addition of the Car Park Procurement – at the request of the Chief Finance Officer
- Removal of the Members Voting Rights Audit – at the request of the Monitoring Officer as processes have recently been reviewed.

Internal Audit Plan Progress 2020/2021 and 2021/22

Conclusion



Conclusion

Since my last update eighteen audits and two follow ups have been completed for the 2020/21 audit plan bringing the total audits completed to forty-nine (including work completed outside of the plan). There are two audits at report stage and eleven audits in progress.

For the eighteen audits completed two audits returned a limited assurance, six were reasonable assurance, three were substantial assurance, four are Grant Certifications, one is a Covid-19 Advisory audit, and two are advisory audits.

There were two significant findings identified in the Limited assurance S106 audit which have been agreed by management with target dates for completion of 08 February 2021 and 08 May 2021, there was one significant finding in the limited assurance Education Health and Care Plan – Annual review audit which has been agreed by management with target dates for completion of 31 July 2021.

A further two significant findings were identified in the reasonable assurance audit, Commercial Investments. These were agreed by management and have target dates of 30th September 2021 and 31 January 2022. One significant finding was identified in the Accounts Receivable audit and the action has been agreed by management with a target date of 30 November 2021.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. A score of 95% would reflect the fact that the client agreed that the review was delivered to a good standard of quality i.e., agreed with the statement in the questionnaire and satisfied with the audit process and report. For 2020/21 the feedback score is 100%.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Limited
- No
- Advisory



Audit Framework Definitions

Control Assurance Definitions

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Advisory Report – In addition, to our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

Risk	Reporting Implications
	In addition to the corporate risk assessment, it is important that management know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Each recommendation has been given a priority rating at service level with the following definitions:
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk

Risk	Reporting Implications
	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Area	Corporate Risk (July 2020 Register)	Planned Quarter	Status	Opinion	No of Rec	1 = Major ← 3 = Medium		
						Recommendation		
						1	2	3
Corporate Centre (including ICT)								
Accounts Payable	CRR10, CRR23	3	Complete	Reasonable	2	0	0	2
Main Accounting Follow Up	CRR10, CRR23	3	In Progress					
Payroll	CRR10, CRR23	3	In Progress					
Accounts Receivable	CRR10, CRR23	3	Complete	Reasonable	3	0	1	2
Council Tax	CRR10, CRR23	3	Complete	Reasonable	3	0	0	3
NNDR	CRR10, CRR23	3	Complete	Reasonable	2	0	0	2
Treasury Management Follow Up	CRR10, CRR23	3	Complete	Follow Up	-	-	-	-
Housing and Council Tax Benefits	CRR10, CRR23	3	Complete	Substantial	2	0	0	2
<i>NMITE Project (University)</i>	<i>Accountable Body Requirement</i>	<i>1</i>	<i>Complete</i>	<i>Advisory Report</i>	-	-	-	-
MTFS	CRR.24	4	Complete	Reasonable	0	0	0	0
Commercial/Strategic Investments	CRR.21	2	Complete	Reasonable	2	0	2	0
Balfour Beatty Contract 1 year (minor to major repairs)	CRR.23	4	In Progress					
Staff Car Parking – Business passes	CRR.10, CRR.23	1	Complete	Limited	6	0	1	5
Strategic/Significant Partnerships	CRR.26	2	Complete	Limited	5	0	3	2
Brexit Preparedness	CRR.09	4	Complete	Reasonable	4	0	1	3

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Cyber Security Framework	CRR.13 CRR.25	3	Complete	Advisory	-	-	-	-
ICT Governance Risk Review	CRR.13 CRR.25	2	Combined with above audit.	-	-	-	-	-
Economy and Place								
Local Transport Block Funding	Financial Governance	2	Complete	Reasonable – Grant Certification	-	-	-	-
Bus Subsidy Grant	Financial Governance	2	Complete	Reasonable – Grant Certification	-	-	-	-
Property Flood Resilience Support Scheme (Bellwin /Resilience Management)	Financial Governance	2	Complete	Substantial	1	0	0	1
Commercial Properties/Rents	-	1	Complete	Reasonable	6	0	1	5
S106 Agreements	CRR.10 CRR. 18 CRR.20	2	Complete	Limited	9	0	2	7
Baseline Assessment for Maturity of Fraud	CRR.11	4	Complete	Advisory	-	-	-	-
Capital Programme/Capital Projects	CRR.18	4	In Progress					
Adults and Communities								
Client Finances	CRR.10, CRR.23	2	In Progress					
West Midlands Peer Review	-	3	Complete	Substantial	0	0	0	0
Workforce Development	CRR.23, CRR.17, CRR.10	2	Complete	Substantial	0	0	0	0
The Quality Development Framework	CRR.23, CRR.17, CRR.10	3	In Progress					
Supervision Practices	CRR.23, CRR.17, CRR.10	3	Complete	Substantial	1	0	0	1
Children’s and Families								
Troubled Families – monthly review – quarterly report quarter 1	Financial Governance	1	Complete	Reasonable – Grant Certification	-	-	-	-

Troubled Families – monthly review – quarterly report quarter 2	Financial Governance	2	Complete	Reasonable – Grant Certification	1	0	0	1
Troubled Families – monthly review – quarterly report quarter 3	Financial Governance	3	Complete	Reasonable – Grant Certification	1	0	1	0
Troubled Families – monthly review – quarterly report quarter 4	Financial Governance	4	Complete	Reasonable – Grant Certification	-	-	-	-
EHCP (Education, Health and Care Plans) Annual Reviews	-	3	Complete	Limited	3	0	1	2
Support for young people not in education, employment or training (NEET)	-	3	Complete	Reasonable	3	0	0	3
EHCP (Education, Health and Care Plans) – Preparation for Adulthood	-	1	In Progress					
Follow Up Audits								
Members Expenses Follow Up	-	3	Completed	Follow Up	-	-	-	-
SWTP Phase 1 – Follow Up	-	4	Draft Report					
SWTP Phase 2 – Follow Up	-	4	Draft Report					
Homepoint – Follow Up	-	4	Complete	Follow Up	-	-	-	-
Additional Audits added to the plan for COVID-19								
Grant Funding Schemes – Small Business Grant Fund / Retail, Hospitality and Leisure Grant Fund	CRR.23, CRR.39	1	Completed	Covid 19 - Advisory	-	-	-	-
Transport Contracts	CRR.23, CRR.39	1	Completed	Reasonable – Grant Certification	2	0	0	2
Procurement cards	CRR.23, CRR.39	1	Completed	Limited	6	0	1	5
HALO Leisure Centre – Financial review	CRR.23, CRR.39	1	Completed	COVID 19 Advisory	-	-	-	-
Emergency Decisions	CRR.39	1	Completed	Reasonable	4	0	1	3
Local Transport Authority Covid-19 Bus Service Support Restart (Revenue) Grant (CBSSG) – Tranche 1	CRR.23, CRR.39	2	Draft Report	Combined report with tranches 2-5.				

Additional requests since revised audit plan approved October 2020								
Local Transport Authority Covid-19 Bus Service Support Restart (Revenue) Grant (CBSSG) – Tranche 2-5	CRR.23, CRR.39	3	Draft Report	Work completed. Waiting for notification of funding for tranche 5.				
Emergency Active Travel Measures Tranche 1	CRR.23, CRR.39	3	Completed	Substantial	1	0	0	1
Emergency Active Travel Measures Tranche 2	CRR.23, CRR.39	4	Complete	COVID 19 Advisory	-	-	-	-
Additional Dedicated Home to School and College Transport Grant	CRR.23, CRR.39	3	Completed	Reasonable – Grant Certification	1	0	0	1
Test and Trace Support Payments	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Test and Trace Discretionary Payments	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Local Restrictions Support Grant	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Revenue grant determination (Ringfenced) Local Authority COVID-19 Test and Trace Service Support Grant Determination 2020/21: No 31/5075	CRR.23, CRR.39	4	In Progress					
Revenue grant determination (Ringfenced) Local Authority COVID-19 Test and Trace Service Support Grant Determination 2020/21 Revenue Grant funding Additional grant funding (31/5309)	CRR.23, CRR.39	4	Moved to 21/22 in line with sign off requirements	-	-	-	-	-
HALO Leisure Centre Financial Review 2	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Additional Dedicated Home to School and College Transport – Autumn Term	CRR.23, CRR.39	4	Complete	Reasonable – Grant Certification.	-	-	-	-
Additional Dedicated Home to School and College Transport – Spring Term	CRR.23, CRR.39	4	Complete	Reasonable – Grant Certification.	-	-	-	-
Revenue Grant Determination (Ring-Fenced COVID-19 Local Authority Compliance And Enforcement Grant For Lower Tier And Unitary Authorities Determination 2020: No 31/5216.	CRR.23, CRR.39	4	Complete	Reasonable – Grant Certification.	-	-	-	-
Additional Audits approved by the Chief Finance Officer								

Gypsy and Traveller Sites – Special Investigation	CRR.10	1	Completed	Advisory Report	7	0	2	5
Hereford City centre Transport Package – Governance Review	CRR.10	1	Final Report	Briefing Paper (Advisory)	-	-	-	-
Contract Management – BBLP	CRR.38	1	In Progress					
Loss of Monies – Children’s - Special Investigation	CRR.23	2	Final Report	Special Investigation	2	-	2	-
Audit work requested in addition to the 2020-21 audit plan by the Chief Finance Officer								
Commissioning and Value for Money (BBLP)		1	Completed	Limited	5	0	2	3

Audit Area	Corporate Risk	Planned Quarter	Status	Opinion	No of Rec	1 = Major ← 3 = Medium		
						Recommendation		
						1	2	3
Corporate Centre (including ICT)								
Voting Restrictions for Members	CS.09 (July 2020)	1	Removed	-	-	-	-	-
Risk Management	Linked to all risks	1	July Start Date Agreed					
Economy and Place								
Development Regeneration Programme	EP.12 (July 2020)	1	Not Started					
Climate Change	EP.15 (July 2020)	1	Not Started					
Bus Service Support Grant Restart Scheme Traces 6 and 7 (funding to May 2021)	Grant Certification	1	Not Started					
Additional Dedicated Home to School and College Transport Grant – Spring Term	Grant Certification	1	In Progress					
Adults and Communities								
Oral Health Needs Assessment Plan	Request from Cllr Gandy & Director for Adults & Communities	1	Not Started					
Children’s and Families								
Supporting Families – Monthly Review – Quarterly Report - Quarter 1 (<i>previously referred to as Troubled Families</i>)	Grant Certification	1	In Progress					
Schools Thematic Audit	To provide assurance of basic standards for good financial health	1	Not Started					

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Additional Audits for Quarter 1								
Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5389.	Grant Certification	1						
Local Authority Test And Trace Support Payment Scheme Funding Grant Determination 2020/21: No 31/5385.	Grant Certification	1						
Local Authority Test And Trace Service Support Grant Determination 2020/21: No 31/5309 -	Grant Certification	1						
Funding for Travel Demand Management 2020/21 – No 31/5127	Grant Certification	1	Complete	Reasonable – Grant Certification	-	-	-	-
Car Park Signage Procurement	At request of Chief Finance Officer	1	In Progress					
Property Flood Resilience Support Scheme (Bellwin /Resilience Management) Quarterly Review – Quarter 1 (Yearly Report)	Grant Certification	1	Complete	Reasonable – Grant Certification	-	-	-	-

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Link to Risk Register (May 2021).	Areas of Coverage	Brief Description	Requested/Agreed by or Rationale for audit
Corporate Centre (including ICT)			
<i>Identified as a risk in previous risk registers.</i>	Councillors Allowance Overspend	Review of allowances after budget overspend identified in the 2019/20 audit. Assurance that the Independent Remuneration Panel recommendations have been implemented correctly.	Deferred from 2020/21. Requested by the Monitoring Officer.
	Significant Partnerships	Follow up on findings from previous audit and a review of individual partnerships that have not provided the information to support the AGS.	At the request of the Assistant Director Corporate Support.
	Employee Expenses	Review of processes including proactive fraud element. New process, automatic approval of expenses < £100.	Deferred from 2020/21. Agreed by Assistant Director People and the Assistant Director Corporate Support.
<i>Identified as a risk in previous risk registers.</i>	Leavers Process (HR including ICT processes)	Recommendation made in the 2019/20 Mandatory Training Audit. Review of adequacy of process including the ICT elements.	Deferred from 2020/21. Agreed with Assistant Director People and Assistant Director Corporate Support
	Fraud Risk Assessment		
Economy and Place			
-	Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarterly Review – Quarter 2 (Yearly Report)	Grant Certification	Requirement of grant funding.
-	Additional Home to School Transport – Summer Term	Grant Certification	Requirement of grant funding.
-	Local Transport Block Funding	Grant Certification	Requirement of grant funding.
-	Bus Subsidy Grant	Grant Certification	Requirement of grant funding.

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Adults and Communities			
	Customer Services	Assurance in regard to the receiving teams response rate and stakeholder feedback.	Agreed at by the Director for Adults and Communities.
	Infection Control and Testing Grants	Assurance in regard to the effectiveness of administration and distribution.	Agreed at by the Director for Adults and Communities.
Children's and Families			
-	Supporting Families – Monthly Review – Quarterly Report - Quarter 1 (<i>previously referred to as Troubled Families</i>)	Grant Certification	Requirement of grant funding.
CRR.04, CRR.52 (CF.02, CF.03)	Quality Assurance including Supervision Practices.		Agreed by the Interim Director for Childrens and Families.

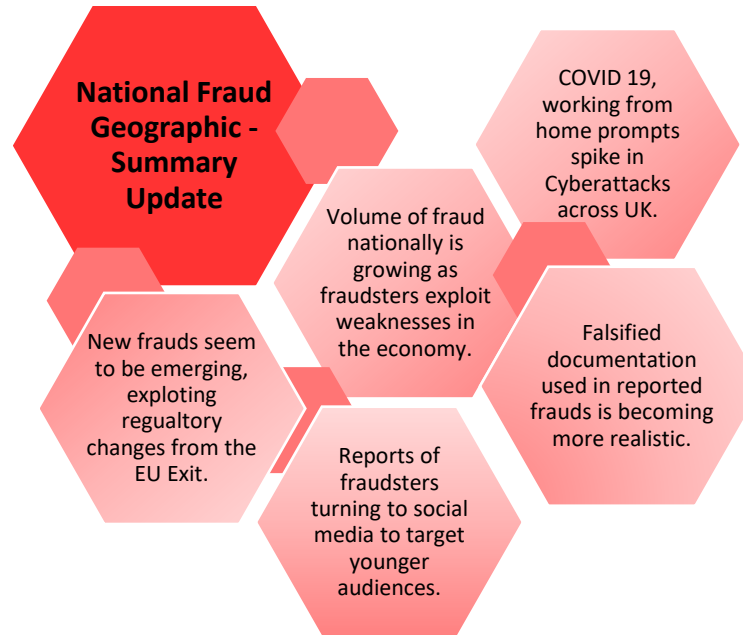
To help raise awareness of the fraud risks on a National geographic level and to provide the committee with a quarterly summary update on corporate fraud prevention work undertaken across the Council.

Joint update from the Counter Fraud Specialist (CFS) and Internal Audit.

There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.
- *Fighting Fraud Locally, 2020*



Quarterly Fraud Update (April to June 2021)



- SWAP Fraud Alerts**
- ! Change of Bank Account Details (a mixtrue of both successful and unsuccessul attempts)
 - ! Attempted Council Impersonation Fraud in regards to ordering goods.
 - ! Fraudulent texts claiming to be HMRC offering fake lockdown grants

Actions/ongoing work

- Regular reporting to central government and verification work undertaken for the Covid 19 Business Support Grant Schemes.
- The CFS has continued to work with the Adult Social Care directorate, with new processes and services under development to assist in the prevention and detection of fraud within this area.
- Direct Payments - proactive fraud internal audit planned for Q2.
- Baseline Assessment for the Maturity of Fraud completed.
- Mandatory E learning Fraud Course developed for all Council and Hoople Ltd staff to complete annually.
- Fraud awareness intranet page developed to ensure staff are clear on how to access resources (new articles, videos, general advice and relevant and how to report fraud.

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Title of report: Counter Fraud and Corruption Strategy Update

Meeting: Audit and governance committee

Meeting date: Monday 28 June 2021

Report by: Cabinet member corporate strategy and budget

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

For the committee to review and approve the updated Counter Fraud and Corruption Strategy 2021-2024 attached at appendix A and consider recommendations for improvements. The strategy has been updated following the committee's initial review at its meeting on 26 January 2021.

Recommendation(s)

That:

- a) **the updated Counter Fraud and Corruption Strategy 2021-2024 attached at appendix A be reviewed and the committee determine any recommendations it wishes to make to ensure its effectiveness.**

Key considerations

1. This report recommends an updated counter fraud and corruption strategy following the committee's review of the previous version at its meeting 26 January 2021.
2. The counter fraud and corruption strategy attached at appendix A addresses the feedback shared by the committee, specifically:-

Recommended Action	Progress Update
The flowchart in the strategy be amended to include a lessons learnt feedback to management.	Included at Appendix A
Within the strategy where there are references to other pages, policies or documents include the relevant links to the relevant webpage or website.	Included at Appendix A
The role of the committee in connection with the strategy and the action plan be clarified.	The committee's role is defined in the strategy being to ensure its effectiveness
Quarterly updates to the committee be considered.	Updates will be included in internal audit progress updates to the committee.
Clarification to be provided as to who should sign the strategy	The Cabinet member for finance
Change the statement on page 123 of the agenda pack to the council was attempting to be fully compliant with the relevant legislation.	Revised at Appendix A
The strategy come back to the committee for approval when it has been amended	Revised strategy presented today

9. Following committee's approval of the revised strategy this will be cascaded within wider communication updates to all staff identifying the new Intranet landing page, referral form and a new mandatory training e learning module for all staff to complete.

Community impact

10. The strategy at Appendix A will protect public resources and support the code of corporate governance principle which states that:
- a. Implementing good practices in transparency, reporting, and audit to deliver effective accountability. Herefordshire Council must ensure that those making decisions and delivering services are accountable for them. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External and internal audit contribute to effective accountability.

Environmental Impact

Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy, for example through the use of energy efficient methods of communications.

Equality duty

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on a back office strategy, we do not believe that it will have an impact on our equality duty.

Resource implications

17. There are no direct resource implications related to this report.

Legal implications

18. There are no legal implications arising from the recommendations.

Risk management

19. The council undertakes a fraud risk assessment against risks and looks ahead for future potential fraud and corruption risks. Risks will be added to the service risk register and managed according to the risk management plan. All allegations of fraud and corruption will be risk assessed in determining the correct response.

Consultees

20. None

Appendices

Appendix A Counter Fraud and Corruption Strategy 2021-2024

Background papers

None identified

Counter Fraud and Corruption Strategy 2021-2024

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Leading the Fight against Fraud and Corruption

A framework for the prevention and
detection of fraud, bribery and corruption



Our Mission Statement

Our mission is for the local authority to protect its funds and vulnerable people from the risk of fraud.

Our vision is to undertake a corroborative and intelligence led approach, to fight against fraud and corruption.

Our purpose is to lead the local authority in better protecting its resources. By utilising an intelligence led approach we can better understand, deter, prevent, detect and take action against instances of fraud.



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Foreword

The council acknowledges the consistent and ever changing threats of fraud and corruption. Tackling these very threats has been, and remains at the forefront of protecting council finances. Herefordshire Council are committed to adapt, deter, prevent, detect and take action.

Every pound criminally obtained by a fraudster, is a pound that cannot, and should have been, spent on essential local authority services for its residents.

Fraud and corruption are not victimless crimes and they take away valuable funding that was available for helping the public.

Despite these challenges, we are convinced that this strategy will be an important flagstone for the council. It will help us to deliver a structured and corroborated approach in confronting crime committed against the local authority, and will it further enforce the council's vision.

Jonathan Nelson
Herefordshire Council
Counter Fraud Specialist

Executive Summary

This document outlines the strategy and core objectives for Herefordshire Council, in fighting against fraud and corruption. It is aimed at all council employees, elected members, contractors, the council's partners, and to all of the public residents that it serves.

By utilising this strategy the council aims to develop and maintain a culture in which fraud, bribery and corruption are unacceptable. We must recognise the harm that fraud can do to our community and better understand the risks that we face, in order to prevent fraud more effectively.

As methods of fraud change within society, so must the way in which it is countered. By adapting with new emerging technology, we can improve our response, share vital information more effectively, and better detect & recover fraud loss.

Our ambition is to manage the risk of fraud and corruption by following the best ethical practises,

procedures and principles, therefore maintaining a high level of integrity throughout the council.

We expect councillors and employees at all levels to lead by example to ensure the highest standards are established, maintained and adhered to. Every employee has accountability and the responsibility to be vigilant and report any suspicions of fraud or corruption, through the relevant reporting channels.

We will enforce accountability by bringing fraudsters to account more quickly and efficiently. Where fraud and corruption is identified, we have a duty to protect our residents within our community and the essential funds which help them.

By investing in the prevention and detection of fraud, and by corroborating with other councils and partner agencies, the council can better safeguard the vulnerable who are most at risk.

What do we mean by fraud, corruption, theft and bribery?

Fraud

The term fraud commonly includes activities such as theft, deception, bribery, forgery, extortion, conspiracy, and money laundering. These include, but are not confined to, the specific offences in the Fraud Act 2006. For the purposes of this document fraud can be attempted, or include actual acts, committed against the council and/or its partners.

Corruption

Corruption is the offering, giving, soliciting, or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly. It is an offence under the Prevention of Corruption Act 1906 – as amended by subsequent Acts and section 117 (3) of the Local Government Act 1972.

Theft

The term theft is the physical misappropriation of cash or other tangible assets. The 1968 Theft Act defines this as “a person is guilty of theft if he dishonestly appropriates property belonging to another, with the intention of permanently depriving the other of it”.

Bribery

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory, or contractual advantage. This is inclusive of active bribery (promising or giving); passive bribery (receiving or accepting); and also failure to prevent bribery (organisations).

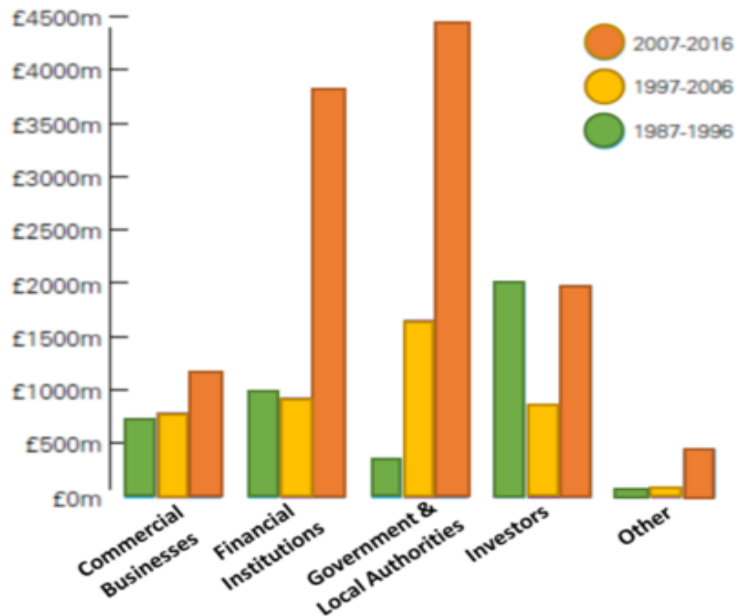
Nature and scale of the problem

There is a significant amount of opportunistic fraud on the simple end of the spectrum, but on the complex end, fraud seems to have become increasingly more structured and sophisticated. As prevention and detection measures have improved, so have fraudster's methods and tactics. Compounding this complexity is the use of cyber related attacks. It is difficult to quantify and measure the true extent of fraud within the UK due to the scale of the crime. The graphs below were published by KPMG Audit who are dedicated in creating an overall understanding of fraud through analysis of trends and data.

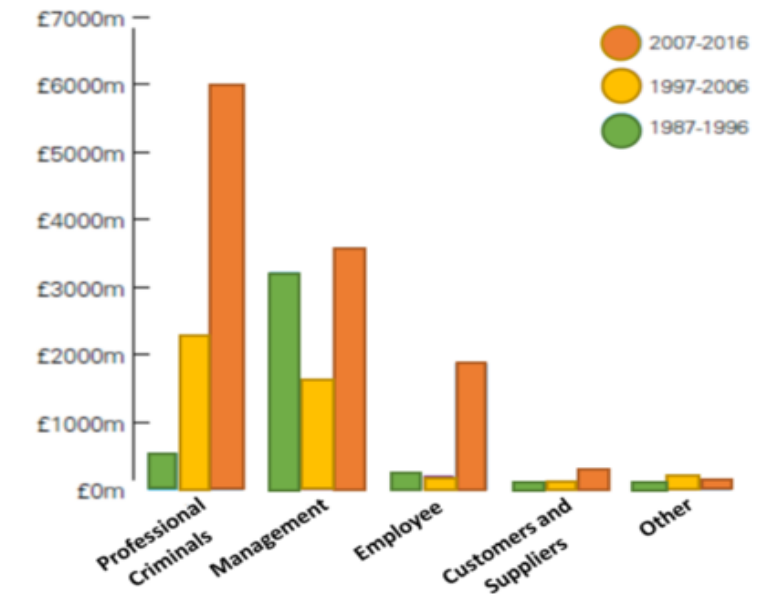
These graphs show that historically over the last three decades within the UK, fraud against financial institutions, government and local authorities has continually risen, with the UK experiencing a dramatic increase after the 2007 financial crisis. Furthermore, the largest driver of this rise, has been due to increases in the extent of crime committed by organised crime groups, and those with relevant authority, such as management and employees.

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Who are the historical victims of fraud?



Who are the historical perpetrators of fraud?



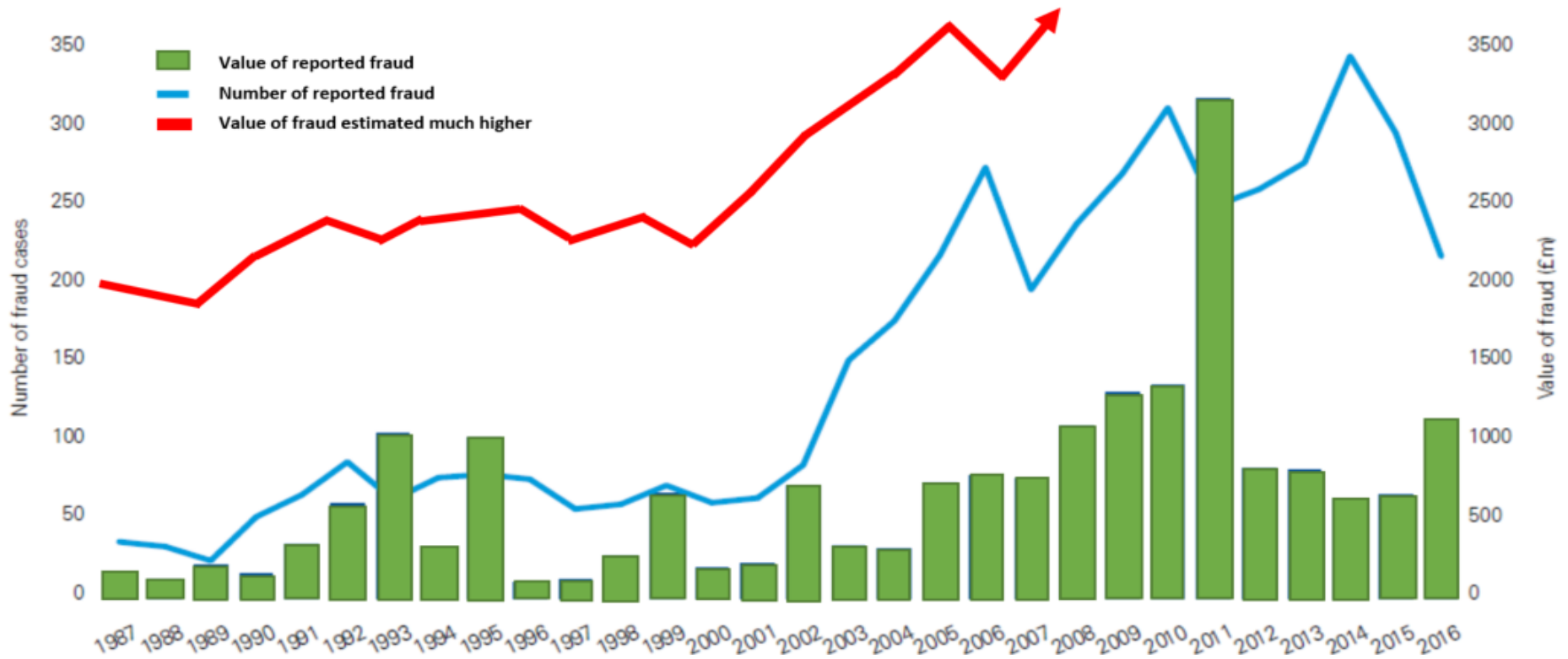
The true extent and scale

Although KPMG data analysis helps us to understand some of the key fraud historical trends, it is believed that the true extent of fraud within the UK is much higher than the data reported.

The National Crime Agency (NCA) highlighted fraud as the most commonly experienced crime with a total of **3.8 million reported instances** of fraud in the National Crime Survey of England and Wales in 2019.

Within a 2020 report published by CIPFA Counter Fraud Centre, the estimated true value of fraud against the UK government, cost in the region of **£40.3 BILLION** every year.

This number continues to grow and it is therefore imperative that the government continues to expand its capacity, resources and funding, to deal with the increasing threat of fraud within the UK.



What types of fraud risk are there for local authorities?

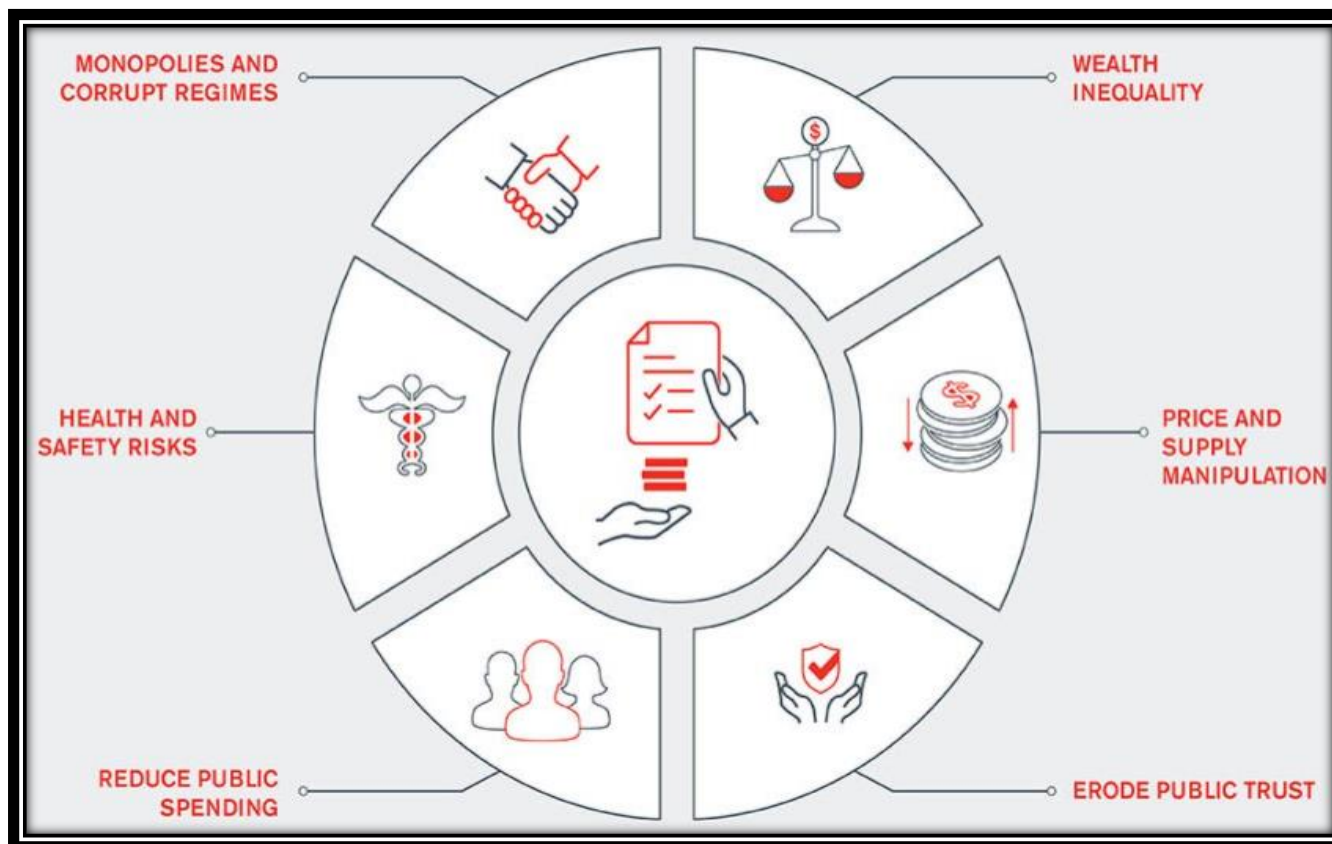
Blue Badge	Use of counterfeit or altered badges. Use when a disabled person is not present, or is deceased. Badges issued to institutions, being misused by employees.	Fraudulent applications for false occupation, exemptions and reliefs, unlisted properties, rating agent and third party refund fraud.	Business Rates
Council Tax	Discounts and exemptions, council tax support.	Enables a diverse and wide range of fraud.	Cyber Crime
Grants	Fraudulent occupation or representation of a premises to obtain a grant. Work not carried out, funds diverted, ineligibility not declared.	Misuse of direct payments/ budgets intended for the care of vulnerable individuals. Social care workers claiming hours for care not provided.	Adult Social Care
Identity Fraud	False Identity, fictitious persons applying for services or payments.	False or exaggerated claims, including slips and trips.	Insurance
Internal Fraud	Diverting council monies to a personal account. Accepting bribes, stealing cash, misallocating social housing for personal gain, working elsewhere while claiming to be off sick, false overtime claims, selling council property for personal gain, wrongfully claiming benefit whilst working.	Fraudulent applications for housing or successions of tenancy, and subletting of the property.	Tenancy
Money Laundering	Exposure to subject transactions.	Fraudulent claims of eligibility across a variety of sectors.	Public Funds
Pensions	Deceased pension claims, overpayments, entitlements being overstated.	Use of concession of by ineligible person.	Travel schemes
Personal Budgets	Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of a claim.	Fraudulent applications for adaptations to homes aimed at the disabled.	Disabled Facility Grants
Schools	Procurement fraud in schools, payroll fraud, internal fraud.	Voluntary partnerships between local authorities and businesses, procurement and grant fraud.	Local Enterprise Partnerships
Procurement	Tendering issues, split contracts, double invoicing.	False employees, overtime claims, expenses.	Payroll

The effects of bribery and corruption

Bribery and corruption can often be confused due to the similarity of these two offences, and so it is important to understand the key difference.

- **Bribery** - this concerns the practice of offering, promising or accepting something, to gain an illicit advantage.
- **Corruption** - this is the abuse of a position of trust, in order to gain an undue advantage.

The impact of corruption in the public sector is determined by its frequency and reach. That is, public sector corruption may be episodic (a single act of corruption), or systemic (a pervasive pattern of corrupt activities and practices over time), and its effects can range from isolated to far ranging in nature.



Strategic Framework

Culture, Capability, Competence, Capacity, Communication, Collaboration

The council will follow the strategic framework incorporated in the 'Fighting Fraud Locally 2020' initiative, as the control measures for managing the risk of fraud and corruption. These core pillars set an ethical standard within the organisation that focuses on the importance of high integrity from all employees, and it places responsibility on senior managers and members to demonstrate their commitment in tackling fraud.

By creating a strong anti-fraud culture, acknowledging the dangers through vigorous risk assessments, developing training, corroborating effectively and by enhancing our internal processes & technology; we can better deter and prevent fraud. In the instance where fraud, theft, bribery or corruption are proven, we will ensure that consistent and proportionate action is taken, which can lead to prosecution. Furthermore, the council will review and strengthen its defences so that we can continue to protect public monies and the local residents.

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Collaboration

How will the council effectively pursue fraud and corruption?

Organised fraud can cross with a range of organisations and services. Effective communication and joint working between local authorities and with other agencies, will be essential in the ongoing development of the Council's strategic response. The four tiers listed below show the scale of multi-agency working. Only through clear and efficient collaboration between the relevant channels, can the risk of fraud be managed.

A crucial element of our response to tackling fraud is to punish fraudsters, recover monies, protect the public and mitigate against further risk. Therefore, through a multi-agency approach we will have the capacity and capability to prosecute and enforce a culture of zero-tolerance towards fraud.

Intelligence



Financial



National



Local



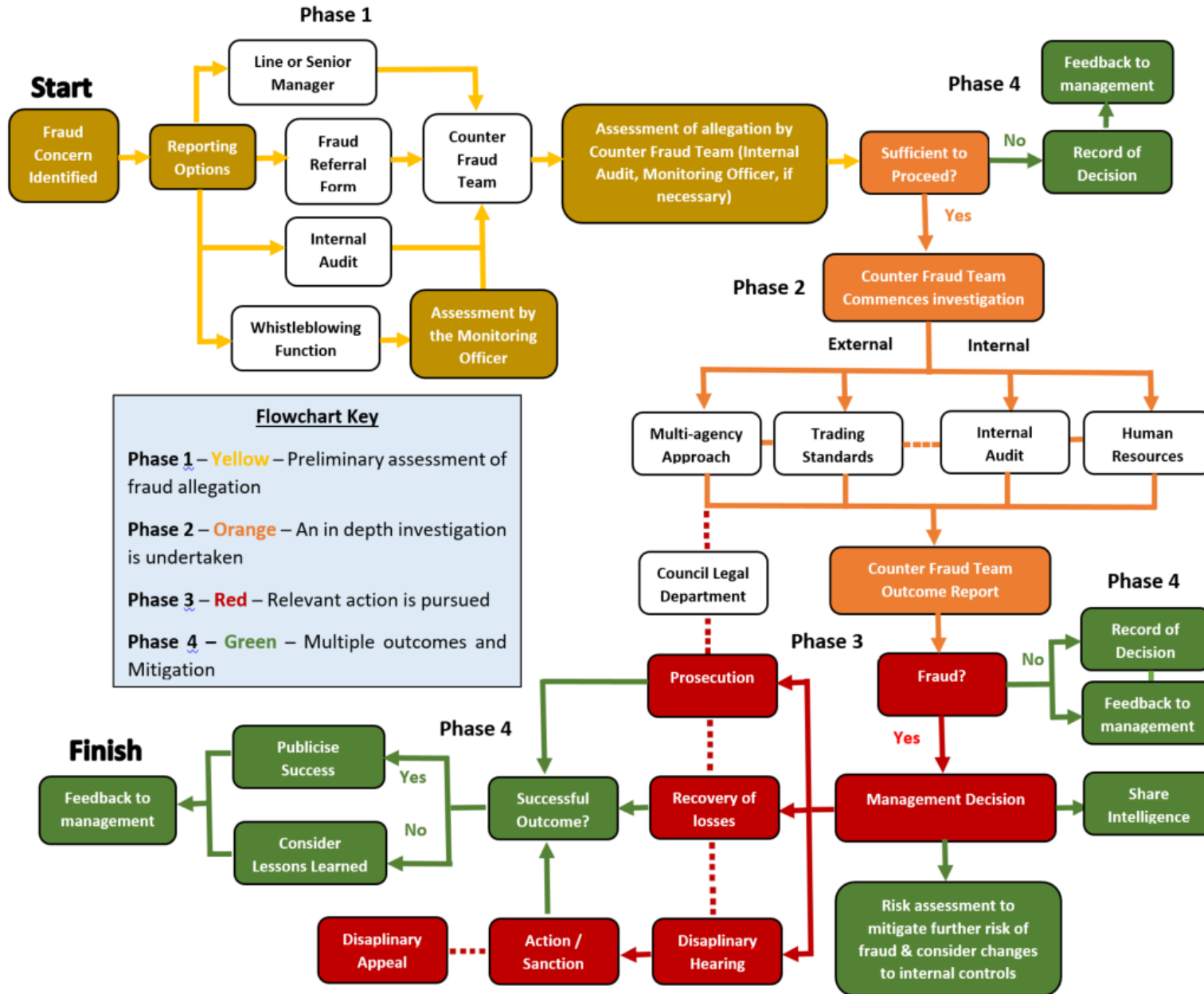
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Structure

Stakeholder	Specific Responsibilities
Audit and Governance Committee	To monitor and oversee the Council's strategies and policies, and consider the effectiveness of the Whistleblowing Policy, Money Laundering and Counter-Fraud and Corruption Strategy. The committee also oversees the progress within the annual fraud report.
Chief Executive	The Chief Executive is ultimately accountable for the effectiveness of the Council's appetite and arrangements for countering fraud and corruption.
Finance Portfolio Holder	The Finance Portfolio Holder is the cabinet member responsible for Finance and Corporate services, and has the responsibility of signing off the Counter Fraud and Corruption Strategy.
Councillors	To promote and support the Council's stance on fraud, corruption and bribery.
Chief Financial Officer/ (Section 151 Officer)	To oversee that the Council has an effective Counter-Fraud and Corruption Strategy, there is an effective internal control environment and there is an effective internal audit service to provide an objective view.
Monitoring Officer	To help ensure that the Council does not act unlawfully and to monitor the whistleblowing function. The Monitoring Officer undertakes an initial assessment on any referrals made through this reporting method, to determine the type of allegation.
Counter Fraud Team	To raise fraud awareness internally within the council and externally to the public. To train and educate employees about fraud and create / implement an effective strategy. To assess risk of fraud across the organisation alongside Audit and implement mitigation to help deter and prevent crime. Point of contact for fraud investigations and to actively pursue the recovery of public monies and take action, to include, but not limited to, prosecution. To function effectively with all stakeholder's in the counter fraud process.
Internal Audit	To provide advice and reviews on the effectiveness of internal controls which are designed to reduce the risk of fraud, corruption, bribery and theft. To undertake risk assessments across the organisation and work with the Council's internal Counter Fraud Team to help mitigate fraud risk.

Stakeholder	Specific Responsibilities
External Audit	A statutory duty to ensure that the Council has in place sufficient arrangements for the prevention and detection of fraud, corruption, bribery and theft.
Trading Standards	To function effectively with the Counter Fraud Team by sharing intelligence, resources and assisting in the facilitation of fraud prosecutions.
Human Resources	To function effectively with the Counter Fraud Team by working together in relation to any internal fraud, corruption, theft or bribery investigations.
Heads of Service and Service Managers	To assist in promoting staff awareness and ensuring that all suspected or reported irregularities are immediately referred to Internal Audit & the Counter Fraud Team. To ensure that strong internal controls are in place and that these are properly implemented within their departments.
Staff	To comply with the Council's policies and procedures, to be aware of the possibility of fraud, corruption, bribery and theft, and to report any genuine concerns to management and Internal Audit and/ or the Counter Fraud Team, taking into consideration if necessary, the Whistleblowing Policy.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud, corruption, theft and bribery against the Council and report any genuine concerns or suspicions.

Herefordshire Council Fraud Response Flowchart



Legislation & Policy

This strategy outlines that the council continually strives to be compliant with the relevant legislative requirements, including but not limited to the following:

- [Fraud Act 2006](#)
- [Money Laundering Regulations 2000](#)
- [Police and Criminal Evidence Act 1984](#)
- [Bribery Act 2010](#)
- [Regulation of Investigatory Powers Act 2000](#)
- [Competition Act 1998](#)
- [Terrorism Act 2006](#)
- [Companies Act 2006](#)
- [Proceeds of Crime Act 2002](#)
- [Local Government Act 1972](#)
- [Human Rights Act 1998](#)
- [Data Protection Act 2018 & GDPR](#)

This strategy accompanies an established framework of internal policies, procedures and controls which provide Herefordshire Council with the core elements of its fraud and corruption prevention governance. These include:

- HC Anti-Fraud, Bribery and Corruption Policy
- Hoople Anti-Fraud, Bribery and Corruption Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy
- Standards Committee
- Financial Procedure Rules Guidance Notes
- Procurement Card Policy
- Direct Payments Policy
- Recruitment Procedure
- Employee interests, gifts and hospitality Policy
- Employee Code of Conduct
- Adult Safeguarding Procedures & Policy
- Resourcing and Managing Performance Policy
- Conducting an Investigation Guidance
- Formal Disciplinary Procedure
- Information Security Policy 2021

Please note that these policies may only be accessible to internally employed staff, and they can be located by searching [here](#).

Our aim is to fully integrate this strategy into our existing policies, procedures and controls, ensuring it becomes a key part of the governance and risk management framework within Herefordshire Council.

Looking Ahead

The future is always difficult to determine, however from analysis of historic fraud trends we can see that in times of serious hardship and increased economic pressures, that the risk, opportunity and appetite for fraud also rises. This falls directly in line with the fraud triangle theory, in which we identify fraudsters rationalising their criminal actions, due to personal circumstance.

In the 2007 financial crises, not only did the economy suffer, but in the years aftermath the UK witnessed a dramatic surge in fraud. Criminals have become more organised, using social engineering to constructively target opportunities and we have also seen huge rises in cyber related offences. These crimes often cross borders, and even countries.

With the 2020 Covid-19 Pandemic, analysts and counter fraud professionals commonly predict that a

similar trend may occur, with cases and attempted fraud on the steep rise. The platform that the pandemic has created, of remote working, implementation of new processes, and increases in economic pressure, often create the gateways for organised cyber criminals.

The council not only acknowledges these risks, but defences have been increased, mitigation has been applied and fraud awareness is at the forefront of our strategy.

Furthermore, our belief is that with our structured strategy, we will be better prepared for the difficult times ahead. It is imperative that we continue to tackle fraud on a local level and work with multiple agencies, on a national level, in a joint collective to fight crime and to achieve our mission statement.

Our mission is for the Local Authority to protect its funds and vulnerable people from the risk of fraud.

Our vision is to undertake a corroborative and Intelligence led approach, to fight against Fraud and Corruption.

Our purpose is to lead the Local Authority in better protecting its resources. By utilising an intelligence led approach we can better understand, deter, prevent, detect and take action against instances of fraud.



Title of report: Work programme update

Meeting: Audit and governance committee

Meeting date: Monday 28 June 2021

Report by: Democratic services officer

Classification

Open

Decision type

This is not an executive decision.

Wards affected

Countywide

Purpose

To provide an update on the Committee's work programme.

Recommendation(s)

THAT:

Subject to any updates made by the committee, the work programme for the audit and governance committee be agreed.

Alternative options

- 1 There are no alternative options as regards whether or not to have a work programme as the committee will require such a programme in order to set out its objectives for the coming year.

Reasons for recommendations

- 2 The work programme is recommended as the committee is required to define and make known its work for the coming year. This will ensure that matters pertaining to audit and governance are tracked and progressed in order to provide sound governance for the council.
- 3 The committee is asked to consider any further adjustments.

Key considerations

- 4 The routine business of the committee has been reflected as far as is known, including the regular reporting from both internal and external auditors.

Community impact

- 5 A clear and transparent work programme provides a visible demonstration of how the committee is fulfilling its role as set out in the council's constitution.

Environmental Impact

- 6 Whilst this is an update on the work programme and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy.

Equality duty

- 7 This report does not impact on this area.

Resource implications

- 8 There are no financial implications.

Legal implications

- 9 The work programme reflects any statutory or constitutional requirements.

Risk management

- 10 The programme can be adjusted in year to respond as necessary to risks as they are identified; the committee also provides assurances that risk management processes are robust and effective.

Consultees

- 11 The chief finance officer, monitoring officer, chairperson and vice-chairperson have contributed to the work programme.

Appendices

Appendix 1 – work programme for audit and governance committee

Background papers

None identified.

Audit & Governance Committee Constitution	Report	May	June	July	September	October	November	January	March
3.5.9 The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes									
3.5.10 Internal Audit	Internal Audit								
a To consider the Head of Internal Audit's annual report and opinion, and a summary of Internal Audit activity (as proposed) and the level of assurance it can give over the Council's corporate governance arrangements	Internal Audit Plan & Internal Audit Charter Progress Report on Internal Audit plan (see part b for timing) Internal Audit Annual Opinion			Opinion					Audit Charter
b To consider summaries of specific Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary	Progress Report on Internal Audit plan		Progress report			Progress report		Progress report	Progress report
c To consider reports dealing with the management and performance of the providers of Internal Audit Services									
d To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale	Tracking of internal and external audit recommendations	Tracking Report				Tracking Report			
e To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee	No specific activity required as part of normal questioning activity								
f The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council	Progress Report on internal audit plan (see part b for timing)								
3.5.11 External Audit	External Audit								
a Review and agree the External Auditors annual plan, including the annual audit fee and annual letter and receive regular update reports on progress	Annual Audit fee letter External Audit progress update (see part b for timing) Tracking of internal and external audit recommendations (see part 3.5.10d for timing) Annual Audit Letter External Audit Annual Plan	Audit Fee						Annual Letter Annual Plan	
b To consider specific reports from the External Auditor	External Audit progress update	Progress Report				Progress Report			Progress Report
c To meet privately with the External Auditor once a year if required	Not required to be scheduled on Work programme								
d To comment on the scope and depth of external audit work and to ensure it gives value for money	No specific activity required as part of normal questioning activity								
e To recommend appointment of the council's local external auditor	Not required to be scheduled on 20/21 Work programme								
f Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.	No specific activity required as part of normal questioning activity. External Audit can place limited reliance on internal Audit Work.								
3.5.12 Governance									
a To maintain an overview of the council's Constitution, conduct a biennial review and recommend any changes to council other than changes to the contract procedure rules, finance procedure rules which have been delegated to the committee for adoption	Accounting Policy Update Contract & Finance Procedure Rules				Accounting Policy Update (if required)				Contract and Financial Procedure Rules
b To monitor the effective development and operation of risk management and corporate governance in the council	Work programme Corporate Risk Register	Risk Register Work programme	Work programme	Work programme	Risk Register Work programme	Work programme	Work programme Risk Register	Work programme	Risk register Work programme
c To maintain an overview and agree changes to the council policies on whistleblowing and the 'Anti-fraud and corruption strategy'	Whistleblowing policy Anti-fraud & corruption strategy		Anti-fraud update as part of internal audit progress report	Whistleblowing Update		Whistleblowing		Annual update on anti-fraud and corruption strategy	Anti-fraud update as part of internal audit progress report
d To oversee the production of the authority's Statement on Internal Control and to recommend its adoption	Statement of Accounts								
e To annually conduct a review of the effectiveness of the council's governance process and system of internal control which will inform the Annual Governance statement	Annual Governance Statement	Draft		Final					
f The council's arrangements for corporate governance and agreeing necessary actions to ensure compliance	Annual Governance Statement Progress Report							Progress Update	
g To annually review the council's information governance requirements	Information Governance Review								
h To agree the annual governance statement (which includes an annual review of the effectiveness of partnership arrangements together with monitoring officer, s151 officer, cabinet guardian and equality and compliance manager reviews)	Annual Governance Statement Annual Governance Statement Progress Report								Progress Report
i To adopt an audit and governance code									
j To undertake community governance reviews and to make recommendations to Council	On an ad hoc basis only								
3.5.13 Waste Contract									
a To review, in conjunction with external advisers advising the council as lender, the risks being borne as a result of the funding provided by the council to Mercia Waste Management Ltd and consider whether the risks being borne by the council, as lender, are reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice	Energy from Waste Loan Update								
b To monitor the administration of the loan to the waste project in line with best banking practice having regard to any such external advice, including the terms of any waivers or amendments which may be required or are desirable	Energy from Waste Loan Update								
c Consider what steps should be taken to protect the interests of the council as lender in the event of a default or breach of covenant by Mercia Waste Management Ltd, and make recommendations as appropriate to Council, the council's statutory officers or cabinet as appropriate to ensure the appropriate enforcement of security and litigation in relation to the loan to Mercia Waste Management Ltd	Energy from Waste Loan Update								
d Consider and recommend appropriate courses of action to protect the position of the council as lender to the waste project: (i) make recommendation as appropriate to Council with regards to its budget and policy framework and the loan to the waste project (ii) generally to take such other steps in relation to the loan within the scope of these terms of reference as the committee considers to be appropriate.	Energy from Waste Loan Update								
3.5.14 Code of Conduct: To promote and maintain high standards of conduct by members and co-opted members of the Council									
a To support Town and Parish Councils within the county to promote and maintain high standards of conduct by members and co-opted members of the Council	Annual Code of Conduct Report								
b To recommend to Council the adoption of a code dealing with the conduct that is expected of members and co-opted members of the Council	Part of Re-thinking Governance Review to be scheduled in next year's Work programme.								
c To keep the code of conduct under review and recommend changes/replacement to Council as appropriate	Part of Re-thinking Governance Review to be scheduled in next year's Work programme.								
d To publicise the adoption, revision or replacement of the Council's Code of Conduct	Part of Re-thinking Governance Review to be scheduled in next year's Work programme.								
e To oversee the process for the recruitment of the independent Persons and make recommendations to Council for their appointment	Recruitment done on an as required basis and not currently scheduled.								
f To annually review overall figures and trends from code of conduct complaints which will include number of upheld complaints by reference to individual councillors within unitary, town and parish councils and when a code of conduct complaint has been upheld by the Monitoring Officer or by the Standards Panel, after the option of any appeal has been concluded, promptly to publish the name of the councillor, the council, the nature of the breach and any recommendation or sanction applied.	Annual Code of Conduct Report								
g To grant dispensations under Section 33 (2)(b)(i) and (c) Localism Act 2011 or any subsequent amendment	On an ad hoc basis only								
h To hear appeals in relation to dispensations granted under section 33 (2)(a) and (c) Localism Act 2011 by the monitoring officer	On an ad hoc basis only								
3.5.15 Accounts									
a To review and approve the Statement of Accounts, external auditor's opinion and reports on them and monitor management action in response to the issues raised by external audit.	Statement of Accounts External Auditor Report				Statement & Report				

