



Friday, 10 September 2021

Dear Sir/Madam

A meeting of the Governance, Audit and Standards Committee will be held on Monday, 20 September 2021 in the Council Chamber, Council Offices, Foster Avenue, Beeston NG9 1AB, commencing at 7.00 pm.

Should you require advice on declaring an interest in any item on the agenda, please contact the Monitoring Officer at your earliest convenience.

Yours faithfully

Chief Executive

To Councillors: E Williamson (Chair)
S A Bagshaw (Vice-Chair)
E Cubley
M Handley
H G Khaled MBE
J M Owen
J C Patrick

J P T Parker
M Radulovic MBE
H E Skinner
P D Simpson
I L Tyler
D K Watts

A G E N D A

1. APOLOGIES

To receive apologies and to be notified of the attendance of substitutes.

2. DECLARATIONS OF INTEREST

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest in any item on the agenda.

3. MINUTES

(Pages 3 - 4)

The Committee is asked to confirm as a correct record the minutes of the meeting held on 19 July 2021.

Council Offices, Foster Avenue, Beeston, Nottingham, NG9 1AB

www.broxtowe.gov.uk

4. EXTERNAL AUDIT UPDATE 2020/21 (Pages 5 - 10)

The Governance, Audit and Standards Committee is asked to NOTE the report which provides an update on progress in delivering our responsibilities as external auditor.

5. REVIEW OF STRATEGIC RISK REGISTER (Pages 11 - 20)

To approve the amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

6. INTERNAL AUDIT PROGRESS REPORT (Pages 21 - 40)

To inform the Committee of the recent work completed by Internal Audit.

7. ANNUAL COUNTER FRAUD REPORT (Pages 41 - 56)

To provide the Committee with the annual report on counter fraud and corruption and money laundering prevention activity in 2020/21.

8. WORK PROGRAMME (Pages 57 - 58)

To consider items for inclusion in the Work Programme for future meetings.

GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

MONDAY, 19 JULY 2021

Present: Councillor E Williamson, Chair

Councillors: S A Bagshaw (Vice-Chair)
E Cubley
H G Khaled MBE
G Marshall (substitute)
J M Owen
P J Owen (substitute)
J C Patrick
J P T Parker
M Radulovic MBE
P D Simpson
I L Tyler
D K Watts

Apologies for absence were received from Councillors M Handley and H E Skinner

8 DECLARATIONS OF INTEREST

There were no declarations of interest.

9 MINUTES

The minutes of the meeting held on 17 May 2021 were confirmed and signed as a correct record.

10 REVIEW OF PARLIAMENTARY CONSTITUENCIES

The Committee noted the review of the new Parliamentary Constituency for Broxtowe proposed by the Boundary Commission for England as part of the 2023 review of parliamentary constituencies.

11 REVIEW OF STRATEGIC RISK REGISTER

The Committee considered the amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

RESOLVED that the amendments to the Strategic Risk Register and the actions to mitigate risks as set out in appendix 2 be approved.

12 INTERNAL AUDIT REVIEW 2020/21

The Committee received an update of the work undertaken by Internal Audit during 2020/21 and reviewed the annual internal audit assurance opinion that can be used by the Council to inform its Annual Governance Statement.

13 INTERNAL AUDIT PROGRESS REPORT

The Committee noted the recent work completed by Internal Audit and reviewed progress made by management in implementing agreed actions within six months of the completion of the respective audits.

14 COMPLAINTS REPORT 2020/21

Members were provided with a summary of complaints made against the Council. It was noted that there had been a decrease in stage 1 complaints received and an increase in stage 2 complaints.

15 FREEDOM OF INFORMATION REPORT 2020/21

Members were provided with an overview of Freedom of Information requests made to the Council. It was noted that there had been a decrease in the number of requests received in comparison to the previous year.

16 WORK PROGRAMME

The Committee considered the Work Programme.

RESOLVED that the work programme be approved subject to the addition of a report on Governance Arrangements for the Beeston Town Centre development be added to the 29 November 2021.

Audit Progress Report

Broxtowe Borough Council – Year ended
31 March 2021

Page 5
September 2021



Status of the audit

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

During the course of the audit we have had the full co-operation of management. The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

Significant audit risks

As part of our planning procedures, we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks.

No new risks have been identified since we issued our Audit Strategy Memorandum, with a reminder of those significant risks set out in the table below.

	Significant audit risks: description	Fraud	Error	Judgement
Page 6	Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	●	-	-
	2 Net defined benefit liability valuation The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	-	●	●
	3 Valuation of land & buildings, council dwellings, investment properties (where material) and assets held for sale (where material) The Council's accounts contain material balances and disclosures relating to its holding of council dwellings and land & Buildings, with the majority required to be carried at valuation. The valuation of these assets is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.	-	●	●
	4 Covid-19 grant recognition Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities. These grants are material and we have identified the completeness and accuracy of this income as an audit risk.	-	●	-

Status of the audit

Our work has substantially progressed, and we will report detailed findings in our Audit Completion Report. At the date of writing the report, there are no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters including those detailed below.

We expect to be fully complete for the meeting of the Governance, Audit and Standards Committee scheduled for 29 November 2021.

Audit area	Status	Description of the outstanding matters	
Income / Debtors	●	Clearing queries and sample testing on debtors and income cut-off.	● Likely to result in material adjustment or significant change to disclosures within the financial statements.
Grant income	●	Completion of testing on covid-19 grant income, including management judgements on accounting treatment applied.	
Expenditure / Creditors	●	Clearing queries and sample testing on payroll, expenditure, creditors and expenditure cut-off.	● Potential to result in material adjustment or significant change to disclosures within the financial statements.
Property, Plant & Equipment (including council dwellings)	●	We are awaiting residual evidence from management to support valuation inputs and judgements by the Council's valuation experts on our samples selected for testing.	
Pensions	●	Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report for our consideration and completion of the testing required.	● Not considered likely to result in material adjustment or change to disclosures within the financial statements.
Completion Procedures	●	There are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion, receiving the Council's going concern assessment, agreeing the final changes to the financial statements, group accounts consolidation, presentational checks and related procedures and obtaining final management representations.	
Audit Quality Control and Completion Procedures	●	Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks.	
Whole of Government Accounts (WGA)	●	NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time.	

Status of the audit

Internal controls

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

Based on the audit work carried out this year, we have not identified any significant control deficiencies in 2020/21 that we are required to report to you.

Errors and misstatements

We are pleased to report that no material misstatements have been identified during our audit work to date.

A small number of disclosure amendments to the notes to the Statement of Accounts have been agreed with management to correct minor errors. None of these are significant and we are not required to highlight them in this report.

Delay in the audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts. We expect to issue the audit report but delay the issue of the Audit Certificate until the following procedures are complete:

- Value for Money - We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021 and expect to report our findings in the 2020/21 Annual Auditors Report within 3 months of giving our audit opinion. At the time of preparing this report, we have not identified any significant

weaknesses in the Council's arrangements that require us to make a recommendation.

- Whole of Government Accounts - The NAO has not yet issued its Group Instructions for local authority audits.

We will update the Governance, Audit and Standards Committee when more information is known.

Mark Surridge, Key Audit Partner

mark.surridge@mazars.co.uk

Mazars

2 Chamberlain Square
Birmingham
B3 3AX

Page 9

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

This page is intentionally left blank

Report of the Deputy Chief Executive

REVIEW OF STRATEGIC RISK REGISTER

1. Purpose of report

To approve the amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

2. Detail

In accordance with the corporate Risk Management Strategy, the Strategic Risk Management Group met on 4 August 2021 to review the Strategic Risk Register. General Management Team (GMT) has since considered the proposals from the Group. The objectives of the review were to:

- Identify the extent to which risks included in the Register are still relevant
- Identify any new strategic risks to be included in the Register
- Review action plans to mitigate risks.

A summary of the risk management process is included in appendix 1. The Risk Management Strategy includes a '5x5' risk map matrix to assess both the threats and opportunities for each strategic risk in terms of both the likelihood and impact. The risk map is included to assist the understanding of the inherent and residual risk scores allocated to each strategic risk. These scores will be considered further and amended as necessary in due course.

Details of proposed amendments to the Strategic Risk Register and the actions resulting from the process are attached in appendix 2. The revised Strategic Risk Register incorporating the proposed amendments is available on the intranet. Further reviews of the Strategic Risk Register will be reported to future meetings of this Committee.

Recommendation

The Committee is asked to RESOLVE that the amendments to the Strategic Risk Register and the actions to mitigate risks as set out in appendix 2 be approved.

Background papers

Nil

APPENDIX 1**REVIEW OF STRATEGIC RISK REGISTER****Introduction**

The Risk Management Strategy, as revised in December 2018, aims to improve the effectiveness of risk management across the Council. Effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver priorities, improve outcomes for residents and mitigating legal action and financial claims against the Council and subsequent damage to its reputation.

The Strategy provides a comprehensive framework and process designed to support both Members and Officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The Strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that the Council has in place to manage risk successfully. The risk management process outlined within the Strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This covers both strategic priorities, operational activities and the delivery of projects or programmes.

The Council defines risk as "the chance of something happening that may have an impact on objectives". A risk is an event or occurrence that would prevent, obstruct or delay the Council from achieving its objectives or failing to capture business opportunities when pursuing its objectives.

Risk Management

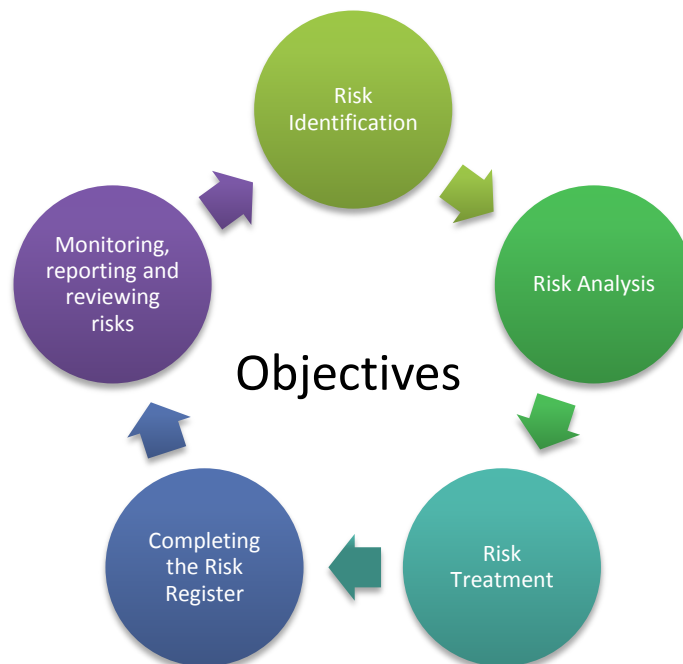
Risk management involves adopting a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the objectives, assets, or financial wellbeing of the Council. It is a means of minimising the costs and disruption to the Council caused by undesired events.

Risk management covers the whole range of risks and not just those associated with finance, health and safety and insurance. It can also include risks as diverse as those associated with reputation, environment, technology and breach of confidentiality amongst others. The benefits of successful risk management include:

- Improved service delivery with fewer disruptions, efficient processes and improved controls
- Improved financial performance and value for money with increased achievement of objectives, fewer losses, reduced impact and frequency of critical risks
- Improved corporate governance and compliance systems with fewer legal challenges, robust corporate governance and fewer regulatory visits
- Improved insurance management with lower frequency and value of claims, lower impact of uninsured losses and reduced premiums.

Risk Management Process

The Council's risk management process has five key steps as outlined below.



Process Step	Description
Risk Identification	Identification of risks which could significantly impact the Council's aims and objectives – both strategic and operational.
Risk Analysis	Requires consideration to the identified risks potential consequences and likelihood of occurring. Risks should be scored against the Council's risk matrix
Risk Treatment	Treat; Tolerate; Transfer; Terminate – Identify which solution is best to manage the risk (may be one or a combination of a number of treatments)
Completing the Risk Register	Document the previous steps within the appropriate risk register. Tool for facilitating risk management discussions. Standard template to be utilised to ensure consistent reporting.
Monitoring, reporting and reviewing the risks	Review risks against agreed reporting structure to ensure they remain current and on target with what is expected or manageable.

Risk Matrix

		Risk – Threats				
Likelihood	Almost Certain – 5	5	10	15	20	25
	Likely – 4	4	8	12	16	20
	Possible – 3	3	6	9	12	15
	Unlikely – 2	2	4	6	8	10
	Rare – 1	1	2	3	4	5
		Insignificant – 1	Minor – 2	Moderate – 3	Major – 4	Catastrophic – 5
		Impact				



Risk Rating	Value	Action
Red Risk	25	Immediate action to prevent serious threat to provision and/or achievement of key services or duties
	15 to 20	Key risks which may potentially affect the provision of key services or duties
Amber Risk	12	Important risks which may potentially affect the provision of key services or duties
	8 to 10	Monitor as necessary being less important but still could have a serious effect on the provision of key services
	5 to 6	Monitor as necessary to ensure risk is properly managed
Green Risk	1 – 4	No strategic action necessary





APPENDIX 2





Strategic Risk Register – Summary of Proposed Changes





Inherent Risk – Gross risk **before** controls and mitigation






Residual Risk – Risk remaining **after** application of controls and mitigating measures





Risk	Inherent Risk	Residual Risk	Changes
<p>1. Failure to maintain effective corporate performance management and implement change management processes</p> <p><i>The position with regards to this risk is unchanged from the previous meeting.</i></p>	20	<p>4</p> <p> Green</p>	<p>A new action was added to reflect an outcome of the recent employee survey to focus on making sure corporate change is managed effectively.</p>
<p>2. Failure to obtain adequate resources to achieve service objectives</p> <p><i>Although the residual risk score does not need to change, it was considered that the position with regards to this risk had improved.</i></p>	25	<p>16</p> <p> Red</p>	<p>A new action point was added to retender the gas supply contract by March 2022.</p> <p>An action point was updated to negotiate final terms for the tram compensation claim against Nottingham City Council.</p> <p>The action to fully utilise the available 'Reopening the High Streets Safely' funding was updated to refer to exploring the possibilities of accessing and utilising any funding available from the 'Welcome Back Fund'.</p> <p>The group noted the progress made with the Town Deal for Stapleford and the Levelling Up Fund bids for Eastwood and Kimberley. The availability of staff resources within the Economic Development team to support the respective business cases was acknowledged as being a potential risk to the delivery of these significant schemes.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>3. Failure to deliver the Housing Revenue Account (HRA) Business Plan</p> <p><i>The position with regards to this risk is unchanged.</i></p>	25	<p>9</p>  <p>Amber</p>	<p>The four actions specifically linked to the development of the Housing Delivery Plan Phase 1 sites were amalgamated into one strategic action to develop the Housing Delivery Plan Phase 1 sites; seek the appropriate member resolution to progress schemes; and for progress to be monitored by the Housing Delivery Group.</p> <p>An action was updated to seeking political approval for the purchase and development of rented and shared ownership properties on land at Bramcote Crematorium.</p>
<p>4. Failure of strategic leisure initiatives</p> <p><i>The position with regards to this risk is unchanged.</i></p>	25	<p>20</p>  <p>Red</p>	<p>Developments regarding strategic leisure provision and potential links into the 'Levelling Up Fund' in the north of the Borough were noted.</p> <p>The action to review the exit clauses in joint use agreements has been superseded by an action to negotiate the terms of the exit agreement with the Kimberley School following the termination of the joint-use agreement for Kimberley Leisure Centre.</p>
<p>5. Failure of Liberty Leisure (LLL) trading company</p> <p><i>The position with regards to this risk is unchanged.</i></p>	25	<p>16</p>  <p>Red</p>	<p>The action point to maximise financial support towards staff costs from the Coronavirus Job Retention Scheme and Job Support Scheme was deleted.</p>
<p>6. Failure to complete the re-development of Beeston town centre</p> <p><i>Although the residual risk score does not need to change, it was considered that the position with regards to this risk had improved.</i></p>	25	<p>12</p>  <p>Amber</p>	<p>The action to agree heads of terms with food and beverage operators was updated with an action to finalise lease terms with food and beverage operators.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>7. Not complying with domestic or European legislation</p> <p><i>The residual risk score has been revised after it was considered that the position with regards to this risk had improved.</i></p>	25	<p>9</p>  <p>Amber</p>	<p>No changes were proposed to the key controls, risk indicators and action points for this strategic risk.</p> <p>Given that the UK has now left the European Union and that matters relating to the impact of legislative changes arising from this are being adequately managed through existing key control mechanisms, it was agreed that the residual risk score be reduced from 12 to 9.</p>
<p>8. Failure of financial management and/or budgetary control and to implement agreed budget decisions</p> <p><i>The position with regards to this risk is unchanged.</i></p>	25	<p>8</p>  <p>Amber</p>	<p>The action to provide a report on the Council's status as a going concern to the Governance, Audit and Standards Committee on 19 July 2021 was completed.</p>
<p>9. Failure to maximise collection of income due to the Council</p> <p><i>The position with regards to this risk is unchanged.</i></p>	20	<p>12</p>  <p>Amber</p>	<p>The action to recommence debt recovery activity following the temporary suspension in response to the coronavirus outbreak was deleted.</p> <p>Two new actions were added to develop new partnership working arrangements for Property Inspectors utilised to identify business premises for rating purposes and to refresh the Corporate Debt Policy for approval by Policy and Performance Committee in October 2021.</p>
<p>10. Failure of key ICT systems</p> <p><i>Although the residual risk score does not need to change, it was considered that the position with regards to this risk had improved.</i></p>	25	<p>10</p>  <p>Amber</p>	<p>The group noted positive outcomes of recent cyber risk and security reviews, including one undertaken by Internal Audit. There will be regular and increased communications with employees and members regarding the need to be vigilant to cyber security risks.</p> <p>An action was added to complete the relocation of the Backup Server from the Council Offices to Kimberley Depot by April 2022.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>11. Failure to implement Private Sector Housing Strategy in accordance with Government and Council expectations</p> <p><i>The position with regards to this risk is unchanged.</i></p>	20	<p>4</p>  <p>Green</p>	An action point was added to identify a delivery mechanism for the Green Homes Grant (LAD Phase 3 and HUG funding) for energy efficiency works in private sector housing stock.
<p>12. Failure to engage with partners/community to implement the Broxtowe Borough Partnership Statement of Common Purpose</p> <p><i>The position with regards to this risk is unchanged.</i></p>	15	<p>4</p>  <p>Green</p>	No changes were proposed to the key controls, risk indicators and actions.
<p>13. Failure to contribute effectively to dealing with crime and disorder</p> <p><i>The position with regards to this risk is unchanged.</i></p>	15	<p>3</p>  <p>Green</p>	<p>New key controls were proposed including the Enforcement Policy; Neighbourhood Safeguarding and Disruption Meetings; Local Police Priority Setting Meetings; Organised Crime Groups Management Meetings; and High Risk Violence and Exploitation Panels.</p> <p>The action to support Nottinghamshire County Council 'Family Service' team was deleted as this team no longer operates from the Council Offices or attends locality meetings.</p> <p>New actions were added to work in partnership to prevent Crime and ASB through education in schools; work in partnership to support young people involved in crime to change; and work in partnership to disrupt the activities of Serious Organised Crime Groups.</p>
<p>14. Failure to provide housing in accordance with the Local Development Framework</p> <p><i>The position with regards to this risk is unchanged.</i></p>	20	<p>12</p>  <p>Amber</p>	<p>The action to optimise resources received from Homes England was updated to joining an investment partnership to be able to access and optimise Homes England funding.</p> <p>The action to respond as necessary to the outcome of the referendum on the Awsworth Neighbourhood Plan was completed.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>15. Natural disaster or deliberate act, which affects major part of the Authority</p> <p><i>The position with regards to this risk is unchanged</i></p>	15	<p>12</p> <p> Amber</p>	<p>The Risk Owners were updated to the Executive Director and Health and Safety Manager.</p> <p>The action to utilise external funding received for Covid-19 related enforcement and compliance activity such as the use of Covid Marshals was completed.</p>
<p>16. Failure to mitigate the impact of the Government's welfare reform agenda</p> <p><i>Although the residual risk score does not need to change, it was considered that the position with regards to this risk had worsened.</i></p>	20	<p>6</p> <p> Amber</p>	<p>The action to implement the Welfare Reform Action Plan was deleted.</p> <p>A new action has been added to response to the significant reduction in Discretionary Housing Payment (DHP) funding.</p>
<p>17. Failure to maximise opportunities and to recognise the risks in shared services arrangements</p> <p><i>The position with regards to this risk is unchanged</i></p>	20	<p>9</p> <p> Amber</p>	<p>A new action was added to optimise the benefits of refocusing Estates Management activity following the termination of the shared services agreement with Ashfield.</p>
<p>18. Corporate and/or political leadership adversely impacting upon service delivery</p> <p><i>Although the residual risk score does not need to change, it was considered that the position with regards to this risk had improved.</i></p>	20	<p>8</p> <p> Amber</p>	<p>The action point to assess any implications from the outcome of the Nottinghamshire County Council and Police and Crime Commissioner elections on 6 May 2021 was deleted.</p>
<p>19. High levels of sickness</p> <p><i>The position with regards to this risk is unchanged</i></p>	16	<p>6</p> <p> Amber</p>	<p>A new action was added to utilise the intelligence obtained from the recent Employee Survey, in particular linked to the improvement areas identified to help employees find a good work/life balance and to ensure that employees feel comfortable disclosing mental health issues.</p>

Risk	Inherent Risk	Residual Risk	Changes
<p>20. Inability to recruit and retain staff with required skills and expertise to meet increasing demands and expectations.</p> <p><i>The position with regards to this risk is unchanged</i></p>	20	<p>12</p> <p> Amber</p>	<p>The actions to present a Market Premium Policy for consideration and approval to Personnel Committee and to present a progress update on the Organisation Strategy to Personnel Committee were completed.</p> <p>An action was updated to promote the salary sacrifice car lease scheme.</p> <p>A further action was updated to implement the action plan in response to the employee survey.</p>
<p>21. Failure to comply with duty as a service provider and employer to groups such as children, the elderly, vulnerable adults etc.</p> <p><i>The position with regards to this risk is unchanged</i></p>	20	<p>6</p> <p> Amber</p>	<p>The Nottinghamshire Safeguarding Hub (MASH); Neighbourhood Safeguarding and Disruption Meetings; High Risk Violence and Exploitation Panels; Suicide Procedure; and Channel Panel Meetings were added as key controls.</p> <p>A new action was added to report safeguarding data to the relevant Committee.</p>
<p>22. Unauthorised access of data</p> <p><i>The position with regards to this risk is unchanged</i></p>	20	<p>6</p> <p> Amber</p>	<p>The action point to provide a facility to add a classification on all outbound emails was updated to refer to maintaining a facility for users to add a classification on all outbound emails.</p>
<p>23. High volumes of employee or client fraud</p> <p><i>The position with regards to this risk is unchanged</i></p>	20	<p>9</p> <p> Amber</p>	<p>The action point to report on the framework of safeguards, key controls and fraud checks in respect of Covid-19 business support grants to the Governance, Audit and Standards Committee on 17 May 2021 was completed.</p>

Report of the Chief Audit and Control Officer

INTERNAL AUDIT PROGRESS REPORT

1. Purpose of report

To inform the Committee of the recent work completed by Internal Audit.

2. Detail

Under the Council's Constitution and as part of the overall corporate governance arrangements, this Committee is responsible for monitoring the performance of Internal Audit.

A summary of the reports issued and progress against the agreed Internal Audit Plan is included at appendix 1. A summary narrative of the work completed by Internal Audit since the previous report to this Committee is also included.

Internal Audit has also reviewed progress made by management in implementing agreed actions within six months of the completion of the respective audits. Details of this follow-up work are included at appendix 2. Where agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

Further progress reports will be submitted to each future meeting of this Committee. A final report will be prepared for Members' consideration after the end of the financial year detailing the overall performance and productivity of Internal Audit for 2021/22.

Recommendation

The Committee is asked to NOTE the report.

Background Papers

Nil

APPENDIX 1

INTERNAL AUDIT REPORTS ISSUED SINCE APRIL 2021

No	Audit Title	Report Issued	Assurance Opinion	Actions - Significant	Actions - Merits Attention
25	Governance - Covid-19 Grants Schemes	20/04/21	Substantial	0	0
01	Erewash BC – Risk Management	20/04/21	n/a	-	-
02	Erewash BC – Cemeteries	12/05/21	n/a	-	-
26	Utilities (Energy and Water)	21/05/21	Reasonable	1	1
27	Housing Delivery Plan	08/06/21	Substantial	1	2
28	LLL – Kimberley Leisure Centre	10/06/21	Substantial	0	4
29	Corporate Governance Arrangements	18/06/21	Reasonable	-	-
30	Sundry Debtors	04/08/21	Reasonable	0	5
03	Disabled Facilities Grants	29/06/21	Substantial	0	0
04	Financial Appraisal – Mushroom Farm	06/07/21	n/a	-	-
05	Financial Appraisal – Mushroom Farm	06/07/21	n/a	-	-
06	Special – Cash/Valuables Recovered	03/08/21	n/a	-	-
07	Planning Enforcement	04/08/21	Reasonable	0	1
32	Cyber Risk and Security	05/08/21	Substantial	0	0
08	NNDR	23/08/21	Substantial	0	0
09	Financial Appraisal – Proposed Bistro	23/08/21	n/a	-	-
10	Erewash BC – Crematorium	31/08/21	n/a	-	-

REMAINING INTERNAL AUDIT PLAN

No	Audit Title	Progress
	Declarations of Interest	Draft report issued – pending finalisation
	Housing Voids Management	Draft report issued – pending finalisation
	Procurement and Contract Management	Ongoing (Nearing completion)
	Bank Reconciliation	In progress
	Grounds Maintenance Services	In progress
	Creditors and Purchasing	In progress
	Capital Works	In progress
	Public Buildings Maintenance	In progress
	Homelessness	Commenced
	Human Resources	Commenced
	Payroll	Commenced
	Health and Safety	Expected to commence in Q2/3
	Environmental Health	Expected to commence in Q2/3
	Garden Waste Collection	Expected to commence in Q2/3
	Treasury Management	Expected to commence in Q2/3
	Climate Change	Expected to commence in Q2/3
	Information Governance	Expected to commence in Q2/3
	Transport/Fleet Management	Expected to commence in Q2/3
	Operational Risk Management	Expected to commence in Q2/3

Bramcote Leisure Centre	Expected to commence in Q2/3
Financial Resilience/Budgetary Control	Expected to commence in Q3/4
Stapleford Town Fund (i.e. Major Projects)	Expected to commence in Q3/4
Local Authority Trading Company	Expected to commence in Q3/4
Customer Services	Expected to commence in Q3/4
Commercial/Industrial Properties	Expected to commence in Q3/4
Choice Based Lettings	Expected to commence in Q3/4
Benefits	Expected to commence in Q3/4
Cash Receipting	Expected to commence in Q3/4
Council Tax	Expected to commence in Q3/4
Rents	Expected to commence in Q3/4
D H Lawrence Birthplace Museum	Expected to commence in Q3/4
Housing Repairs	Expected to commence in Q4
Corporate Governance	Expected to commence in Q4

COMPLETED AUDITS

A report is prepared for each audit assignment and issued to the relevant senior management at the conclusion of a review that will:

- include an overall opinion on the adequacy of controls within the system to provide assurance that risks material to the achievement of objectives are adequately managed – the opinion being ranked as either ‘Substantial’, ‘Reasonable’, ‘Limited’ or ‘Little’ assurance;
- identify inadequately addressed risks and non-effective control processes;
- detail the actions agreed with management and the timescales for completing those actions, and;
- identify issues of good practice.

Recommendations made by Internal Audit are risk assessed, with the agreed actions being categorised accordingly as follows:

- Fundamental – urgent action considered imperative to ensure that the Council is not exposed to high risks (breaches of legislation, policies or procedures)
- Significant – action considered necessary to avoid exposure to significant risk.
- Merits Attention (Necessary Control) – action considered necessary and should result in enhanced control or better value for money.
- Merits Attention – action considered desirable to achieve enhanced control or better value for money.

The following audit reports have been issued with key findings as follows:

1. **Disabled Facilities Grants**

Assurance Opinion – **Substantial**

The specific audit objectives sought to confirm whether adequate management control exists to provide assurance that:

- Controls and processes are in place for responding to requests for adaptations and there is a clear process for documenting and retaining information
- Controls are in place to ensure disabled facility adaptations are only processed for eligible claimants
- Works completed are assessed with consideration of value for money and reviews are completed before processing invoices for payment
- Management information is adequate for effective governance and performance management and includes reviews of the level of spend.

Internal Audit was pleased to report that the Council has an appropriate framework in place for the managements and administration of operations in respect of Disabled Facilities Grants. In addition to the well-established systems in place for processing and paying Disabled Facilities Grants, it was also pleasing to note that the process for documenting and monitoring grant applications has been enhanced since March 2020 (from the initial pandemic lockdown). The electronic filing of all documentation and the development of a 'progress checklist' have made considerable improvements to the accessibility of documents and the reviewing of progress by management.

No significant areas of concern were noted during the course of the audit. The findings arising from this review did not indicate any significant areas for improvement and, accordingly, Internal Audit issued a clearance report.

2. **Financial Appraisals – Mushroom Farm**

Internal Audit produced financial appraisals of two companies which had applied to lease industrial units within the new development at Mushroom Farm in Eastwood. This review was requested by the Estates Manager, with management wanting consideration of the financial viability of each business in order to assess the level of risk to the Council.

The specific findings and suitable recommendations were reported to senior management including the Deputy Chief Executive and the Estates Manager.

3. **Cash and Valuables Recovered from a Housing Property**

A special investigation was undertaken to review the arrangements to manage the risks associated with the discovery of a substantial amount of cash and valuables at a Council dwelling following the death of the tenant. The primary purpose of the review was to ensure that the cash and valuables were handled in a secure manner and that any potential issues arising under the Money Laundering Prevention Policy were addressed.

Internal Audit was delighted to report that officers acted in an appropriate and professional manner to secure and record the cash and valuables found at the property. The documentation supplied indicated that an appropriate level of separation of duties and witnessing was implemented when counting and securing the cash and valuables. Arrangements were then made to securely pay the cash into the Council's bank account at the earliest opportunity.

Internal Audit wished to commend the efforts of all the officers involved who responded so diligently and professionally in this matter.

A review of the circumstances with due regards to the Council's Money Laundering Prevention Policy indicated no cause for concern. The Police were notified of this matter at an early stage and indicated they had no specific interest in either the late individual or the property.

A review of the benefits system showed that the tenant had been in receipt of Guaranteed Pension Credit for many years and had received full Housing Benefit and Council Tax Support from the Council. Early indications were that the chances of any worthwhile recovery of any overpaid benefits from the estate are limited. Internal Audit recommended that this matter is brought to the attention of the Pension Service and then monitored and followed-up accordingly.

4. **Planning Enforcement**

Assurance Opinion – **Reasonable**

The specific audit objectives sought to confirm whether adequate management control exists to provide assurance that:

- Appropriate enforcement policies and guidance are available and reflect the relevant legislation and best practice.
- Appropriate risk assessments are undertaken to ensure high-risk areas receive priority at the inspection planning stage.
- Enforcement activity is appropriately authorised, documented and reflects the policies and guidance available including the good regulation principles.

- Enforcement activity involving legal proceedings has been referred to Legal Services as per the Scheme of Delegation; and
- Appropriate systems are in place to allow appeals against enforcement action, complaints and feedback.

The Council has an appropriate framework in place for the management and administration of operations in respect of Planning Enforcement. It was also confirmed through audit testing that the enforcement action taken was properly documented, duly authorised and reflected the good regulation principles in that they were transparent, accountable, proportionate, consistent and targeted as recognised in the corporate Enforcement Policy.

The review identified an area for improvement with one 'Merits Attention – Necessary Control' actions being agreed to review of arrangements for recording the date of registration will be undertaken with a view to including the appropriate date in the Uniform system for the purposes of performance management.

The actions were duly agreed by the Head of Planning and Economic Development and the Senior Enforcement Officer.

5. Cyber Risk and Security

Assurance Opinion – **Substantial**

The audit objectives, which were based around the National Cyber Security Centre (NCSC) 10 Steps to Cyber Security, sought to confirm whether adequate management control exists to provide assurance that:

- An overarching cyber risk assessment has been carried out with suitable frameworks in place to manage cyber risk, including system updates, backup and disaster recovery procedures.
- Adequate measures to protect the Council network, including cloud-based applications, from external attack or unauthorised access are in place.
- Physical hardware, including removable storage devices and media, are secure.
- Appropriate training relating to cyber risk for all computer-based staff is provided.
- Security breaches and similar significant incidents are adequately addressed, recorded, monitored and reported.
- Security risks relating to remote working have been assessed and appropriately responded to.

Internal Audit was pleased to report that the Council has an appropriate framework in place in respect of Cyber-Risk and Security. Two observations were made regarding the Cyber Security Policy and the current location of the Council's backup server.

No significant areas of concern were noted during the course of the audit. The findings arising from this review did not indicate any significant areas for improvement and, accordingly, Internal Audit issued a clearance report.

6. **Business Rates (NNDR)**

Assurance Opinion – **Substantial**

The specific audit objectives sought to confirm whether adequate management control exists to provide assurance that NNDR is correctly calculated; billed amounts are efficiently collected and accounted for correctly; refunds and write-offs are valid and authorised; and arrangements for detecting and managing fraud are robust.

Internal Audit was pleased to report that the Council has an appropriate framework in place in respect of NNDR. It was also reported that the high level of segregation of duties, review and authorisation procedures surrounding refunds provides substantial assurance that the risk of an internal fraud similar to that recently perpetrated at a nearby Nottinghamshire district is low. An observation was made relating to a decline in collection rates as a result of the Covid-19 pandemic.

No significant areas of concern were noted during the course of the audit. The findings arising from this review did not indicate any significant areas for improvement and, accordingly, Internal Audit issued a clearance report.

7. **Financial Appraisal – Proposed Bistro**

Internal Audit produced a financial appraisal of two individuals who have applied to lease a changing room facility at Long Lane, Attenborough. It is their intention to convert the changing room facility into an area suitable for food and beverage retail. This review was requested by the Commercial Manager on behalf of the Chief Executive, with management wanting consideration of financial viability in order to assess the level of risk to the Council.

The review of information obtained via the National Anti-Fraud Network found no cause for financial concern relating to either individual. The findings were reported to senior management including the Chief Executive, Head of Asset Management and Development and the Commercial Manager.

8. **Erewash Borough Council – Crematorium**

As part of its Internal Audit Collaboration arrangements with Erewash Borough Council, Internal Audit has completed a review of the systems and procedures operating in respect of Bramcote Crematorium which was carried out as part of the Erewash Internal Audit Plan for 2020/21.

Further reviews in respect of Bank Reconciliation; Creditors and Purchasing; Declarations of Interest; Grounds Maintenance Services; Housing Voids Management; Procurement and Contract Management; and Public Buildings Maintenance are ongoing and the reports have yet to be finalised. These will be included in the next progress report to Committee.

Current Audit Performance

Overall, although there has been some focus on completing the outstanding audits from 2020/21, the current level of performance for 2021/22 in terms of audits in progress is similar to what has been achieved at this stage in previous 'normal' years. The target of 90% completion of the Internal Audit Plan is expected to be achieved.

Members are aware that the Chief Audit and Control Officer was recently successful in achieving a promotion into the Head of Finance Services role from 1 September 2021. Management are considering the options for recruitment into the vacant established position. In the meantime, medium-term arrangements are being made for a potential succession into the audit, fraud and risk management aspect of the current role. Further details will be brought back to this Committee in due course.

APPENDIX 2

INTERNAL AUDIT FOLLOW-UP

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the audit. The table below provides a summary of the progress made with agreed actions for internal audit reports issued between June 2018 and February 2021 (excluding clearance reports). Those audits where all actions have previously been reported as completed have also been excluded from this list.

Audit Title	Report Issued	ORIGINAL Assurance Opinion	Number of Actions (Significant in brackets)	Progress
Cemeteries 2018/19	25/06/18	Substantial	1	1 Outstanding
Legionella Prevention and Testing 2018/19	11/09/18	Reasonable	5	1 Outstanding
Bramcote Crematorium 2019/20	21/10/19	Substantial	2 (1)	1 Outstanding
CCTV 2019/20	30/10/19	Substantial	1	1 Outstanding
Chilwell Olympia (Liberty Leisure Ltd)	28/01/20	Substantial	1	Completed
Procurement and Contract Management	02/03/20	LIMITED	6 (1)	2 Outstanding
Independent Living	05/05/20	Reasonable	5	Completed
Cash Receipting (Payment Kiosk)	05/06/20	LIMITED	7 (2)	7 Outstanding
Financial Resilience	03/07/20	Reasonable	4	2 Outstanding
Local Authority Trading Company	06/07/20	Reasonable	3 (1)	2 Outstanding
Kimberley Depot and Security	04/09/20	Reasonable	4	4 Outstanding
Housing Repairs	07/09/20	LIMITED	5 (1)	5 Outstanding
Public Health Funerals	16/10/20	Reasonable	4	Completed
Leasehold Properties	03/11/20	Reasonable	3 (1)	Completed
Garages	09/11/20	Substantial	2	1 Outstanding
Section 106 Agreements	16/11/20	Reasonable	3	Completed
Rents (including Evictions)	06/01/21	Substantial	1	Completed
Council Tax	04/02/21	Reasonable	2	Completed
Neighbourhood Wardens	23/02/21	Reasonable	1 (1)	Completed

Note: The 'Original Assurance Opinion' listed refers to the individual opinions provided by Internal Audit at the date of concluding the audit. The summary details regarding the 'Limited' assurance opinion reports were presented to this Committee on 18 May 2020 for Procurement and Contract Management; 20 July 2020 for Cash Receipting (Payment Kiosk); and 27 September 2020 for Housing Repairs.

Further details of progress being made with agreed actions that have not yet been fully implemented are included below along with comments from management reflecting any updates on progress. Evidence of implementation will not be routinely sought for all actions as part of this monitoring process. Instead, a risk-based approach will be applied to conducting further follow-up work.

Where the agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

OUTSTANDING ACTIONS

1. Cemeteries	June 2018, Substantial Assurance, Actions – 1
1.1 Digitisation of Cemetery Records <u>Agreed Action</u> (Merits Attention – Necessary Control) <p>A timetable for developing an efficient solution for maintaining an effective and accurate electronic cemetery records will be produced. The progress made against the plan will be monitored by management and Bereavement Services Joint Committee. The replacement of the current software solution is considered to be a key part in this medium-term project.</p> <p><u>Manager Responsible</u> Head of Service Bereavement Services Manager</p> <p style="text-align: right;">Revised target date – 31 December 2021</p>	
<u>Progress Report of the Bereavement Services Manager</u> <p>Tenders were evaluated for the provision of Bereavement Services Management Software. Due diligence carried out with the preferred supplier to ensure the proposed solution was suitable and within budget. Whilst implementation was delayed by the pandemic, the contract has now been agreed with supplier. The software is being mobilised with appropriate testing and training to follow. It is anticipated that the system will be fully integrated and operational by the end of 2021.</p>	
2. Legionella	September 2018, Reasonable Assurance, Actions – 5
2.1 Tendering and Contracts <u>Agreed Action</u> (Merits Attention – Necessary Control) <p>A corporate review of the way that Legionella testing, risk assessment, cleaning, chlorination and training services are procured is being undertaken with a view to ensuring consistency, value-for-money and compliance with procurement regulations.</p> <p><u>Managers Responsible</u> Head of Asset Management and Development Health and Safety Manager Housing Repairs and Compliance Manager</p> <p style="text-align: right;">Revised target date – 31 December 2021</p>	
<u>Progress Report of the Head of Asset Management and Development</u> <p>This action is not considered to be a high risk/priority at this stage, given the ongoing pressure on resources. The action will be progressed during in 2021/22 with support from the Procurement team.</p>	

3. CCTV

October 2019, Substantial Assurance, Actions – 1

3.1 Application for the Third Party Certification of Compliance with the Surveillance Camera Code of PracticeAgreed Action (Merits Attention – Necessary Control)

The final areas of non-compliance with the Surveillance Camera Code of Practice are to be addressed, with the long-term aim of applying for the Third Party Certification of Compliance at an appropriate time in the future. In the meantime, the following actions are proposed:

- Works to progress to enable the systems operating at Kimberley Leisure Centre to be made fully compliant and brought under the full control of the Parking & CCTV/Security Manager. In order to facilitate this, a budget has been earmarked towards the review and upgrade of the existing camera system at the site. (Target date – 31 March 2020)
- An approach will be made to the Head of Environment with a view to making progress towards CCTV systems operating at the Kimberley Depot (in particular those cameras operating from refuse freighters) being fully compliant with the Surveillance Camera Code of Practice. (Target date – 31 March 2020). It is recommended that the remote CCTV systems becomes the responsibility of the nominated single point of contact for CCTV surveillance and centralised in accordance with recommendation made by the Surveillance Camera Commissioner's Office. Alternatively, systems can be managed locally whereby compliance with the Commissioners Code of Practice and accreditation can be audited by the nominated senior responsible officer (SRO) for surveillance.
- The existing CCTV policies will be refreshed and arrangements made for these to be formally adopted by the Council. (Target date – 31 March 2020)

Managers Responsible

Head of Service

Parking and CCTV/Security Manager (in conjunction with the appropriate site managers)

Progress Report of the Head of Governance and the CCTV, Security and Parking Manager

Action 1 (Kimberley Leisure Centre) – This is on-hold pending the outcome of the Leisure Facilities Strategy, the joint-use agreement negotiations with the School and the future of the Centre.

Action 2 (Kimberley Depot) – A system of local management is being introduced whereby compliance with the Commissioners Code of Practice and accreditation can be audited by the nominated senior responsible officer (SRO) for surveillance. This is reinforced by local managers being required to complete annual training through the Broxtowe Learning Zone in addition to the completion of a form which outlines the justification for the retention of CCTV in their area.

Action 3 (Policy Updates) – A CCTV review is under way with a Councillor Task and Finish Group, the outcomes of which will inform future policies.

4. Bramcote Crematorium

October 2019, Substantial Assurance, Actions – 2

4.1 Bereavement Services Management SystemAgreed Action (Merits Attention – Necessary Control)

The purchase and installation of a new Bereavement Services Management System will be completed as a matter of priority with key support provided by the Council's Procurement and Business Transformation officers.

Managers Responsible

Head of Service

Bereavement Services Manager

Revised target date – 31 December 2021**Progress Report of the Bereavement Services Manager**

Tenders were evaluated for the provision of Bereavement Services Management Software. Due diligence carried out with the preferred supplier to ensure the proposed solution was suitable and within budget. Whilst implementation has been delayed by the pandemic, the contract has now been agreed with supplier. The software is being mobilised with appropriate testing and training to follow. It is anticipated that the system will be fully integrated and operational by the end of 2021.

5. Procurement/Contract Management March 2020, Limited Assurance, Actions – 6**5.1 Structured Contract Management**Agreed Action (Significant)

A Contract Management Strategy and Framework is being developed to expand upon the adopted Procurement and Commissioning Strategy. This will incorporate both strategic and operational contract management and a multi-layered approach for 'softer' elements of supplier management and monitoring. A proposal was presented to General Management Team in February 2020 and will now be developed further.

The strategy proposed a three-stage process: advising suppliers that the relevant Council's policies as listed in tender documentation will provide the minimum standards required for suppliers engaged by the Council; monitoring progress with suppliers providing reports on performance; and undertake annual strategic reviews for major contracts (by value and/or strategic importance) to consider all aspects of contract performance and compliance and to carry out value engineering where appropriate. The framework will require stakeholders to periodically meet with contractors to discuss contract performance, with appropriate records maintained. Any issues can then be escalated accordingly. The process will also include regular dashboard and exception reporting to GMT.

An action plan is being developed as part of the rollout of the framework.

Managers Responsible

Head of Finance Services

Procurement and Contracts Officer

Revised Target Date: 30 November 2021**Progress Report of the Procurement and Contracts Officer**

A Contract Management Strategy was approved by GMT in October 2020. A series of virtual briefing sessions will be provided to stakeholders. Unfortunately, the launch of this strategy was delayed as a result of other priorities linked to the pandemic. It is now intended to be delivered before the revised target date.

5.2 Procurement Training

Agreed Action (Merits Attention)

A procurement e-learning module will be developed to support the embedding of the Procurement and Commissioning Strategy. This will complement the existing support and guidance that is already available on the intranet and website.

Managers Responsible

Procurement and Contracts Officer

Revised Target Date: 30 November 2021

Progress Report of the Procurement and Contracts Officer

A briefing on the refreshed Procurement Strategy was provided to relevant officers and managers. Contact has been made with the Learning and Development Officer to develop an e-learning course for the Broxtowe Learning Zone and it is intended to deliver this action before the revised target date.

6. Cash Receipting (Payment Kiosk)

6.1 Balancing and Reconciliation Differences

Agreed Action (Merits Attention – Necessary Control)

An Officer Working Group will be established, with representation from key stakeholders across the business, to consider, respond, track and resolve the issues raised in respect of the payment kiosk.

The procedure for processing discrepancies identified during cashing-up will be reviewed and updated to allow for any differences to be accounted for in an appropriate manner pending further investigation.

6.2 Accuracy of Transaction Recording

Agreed Action (Significant)

A review of the systems and the effectiveness of how they interact will be undertaken by the Officer Working Group to ensure the accuracy and integrity of the data and management information the systems are expected to produce.

6.3 Kiosk Receipts and Automated Reports

Agreed Action (Significant)

A review will be conducted by the Officer Working Group to identify improvements to the management information provided by the kiosk. Consideration will be given to skills and training needs to enable clear understanding of the data provided.

6.4 Contract Management – Reporting of Issues

Agreed Action (Merits Attention – Necessary Control)

Any concerns identified with the kiosk system will be escalated to GMT and the service provider as required.

6.5 Payment Details

Agreed Action (Merits Attention – Necessary Control)

Enquiries will be made with the service provider as to the options for enhancing the controls within the kiosk to make mandatory fields for the payee to enter their details and for the kiosk to only process payments when a correct payment reference has been entered.

6.6 Card Payments – Refunds Processing

Agreed Action (Merits Attention – Necessary Control)

The option to process card payment refunds (for duplicate or erroneous payments) onto the original payment card used will be considered in conjunction with the service provider.

Managers Responsible

Head of Administrative Services;

Officer Working Group

Revised Target Date: 31 December 2021

Progress Report of the Head of Administrative Services

The payment kiosk has been closed to the public since the first pandemic lockdown in March 2020 and has only being used on a few occasions by Support Services. At this stage, there has been little need to establish an Officer Working Group to manage and resolve the historical issues raised in respect of the payment kiosk.

At a suitable point when the kiosk facility is re-opened to the public, the Officer Working Group will review and consider all of the points raised by Internal Audit.

6.7 Usage Reviews and Future Viability

Agreed Action (Merits Attention)

The statistics reports produced in relation to the kiosk will continue to be reviewed. Proactive work will continue to encourage customers to consider alternative cost effective payment channels such as Direct Debit and card payment via the website. This work will include direct contact at the kiosk and scrutiny of payments data (via reports analysed by fund) to identify customers who regularly use the kiosk.

The ongoing viability of the payment kiosk will be reviewed undertaken in terms of cost effectiveness and customer satisfaction, with comparison to alternative external solutions.

Managers Responsible

Head of Revenues, Benefits and Customer Services

Head of Administrative Services

Revised Target Date: 30 November 2021

Progress Report of the Head of Revenues, Benefits and Customer Services

The kiosk has been closed to the public during the pandemic, only being used on a few occasions by Support Services as a matter of urgency. In view of this, it has been difficult to target individuals that use the kiosk and promote other services.

A group was established to evaluate the other cash payment options. A report was presented to the Finance and Resources Committee on 30 March 2021 where it was agreed that the Council will work with 'All Pay' to provide cash payment facilities using Paypoint and the Post Office. These services will be limited to those residents that have no other method of payment.

The Council has commenced the procurement process with 'All-Pay'. In order to implement this facility, further support is required from Finance Services to ensure payments are accounted for correctly. This is being arranged with the new Head of Finance Services, with a view to launching this scheme in advance of the revised target date.

7. Financial Resilience

7.1 CIPFA Financial Resilience Index

Agreed Action (Merits Attention 'Necessary Control')

It is anticipated that the CIPFA Financial Resilience Index will be refined post Covid-19 to ensure that it remains fit for purpose. The benefits of using this analytical tool to support good financial management and provide a common understanding amongst managers and members of the current financial position and potential risks are acknowledged. Further work in developing this for Broxtowe, at least in the short-term, will be dependent upon further updates from CIPFA.

Manager Responsible

Deputy Chief Executive

Revised Target Date: 31 October 2021

Progress Report of the Deputy Chief Executive

This action is still progressing. CIPFA has recently published the latest update of its Financial Resilience Index based upon the 2019/20 financial outturn. This will provide a useful pre-Covid baseline assessment of the financial position of local authorities. The indices for 2020/21 will be reviewed when available, with any significant action needed being reported through GMT and to the relevant Committee accordingly.

7.2 Prioritisation of Schemes – Capital Project Appraisals

Agreed Action (Merits Attention 'Necessary Control')

A review of the current arrangements for prioritising capital schemes will be completed in time for the 2021/22 budget preparation, with the outcomes reported to GMT for approval and adoption. This review will consider the development of a rolling three-year Capital Strategy, linked to corporate priorities, and the introduction of robust business plans/capital project appraisal framework for individual schemes to support decision making and the prioritisation of limited capital resources.

Manager Responsible

Deputy Chief Executive;
Head of Finance Services

Revised Target Date: 31 October 2021

Progress Report of the Deputy Chief Executive

A Capital Strategy is approved annually by the Finance and Resources Committee. Further work will be undertaken to refine the process to prioritise capital schemes although for the latest capital programme the priority schemes have been linked to the corporate objectives, such as Housing, and the high-risk health and safety schemes relating to public buildings.

8. Local Authority Trading Company

8.1 Revision and Update of Service Management Agreement

Agreed Action (Significant)

The Council's new Leisure Facilities Strategy is currently being developed, although its full adoption and implementation will be a long-term project. In the meantime, it is anticipated that the proposed Strategy will have been developed by late summer 2020. At this stage, the Strategy will be used as the starting point for an initial review of the Service Management Agreement between the Council and the Company.

Managers Responsible

Deputy Chief Executive

Managing Director – Liberty Leisure Limited

Revised Target Date: 31 December 2021

Progress Report of the Deputy Chief Executive

The new Leisure Facilities Strategy is being developed. Some minor adjustments have been proposed for the Service Management Agreement between the Council and the Company that are currently being worked through in conjunction with Legal Services. A fundamental review of the agreement will be deferred until beyond the pandemic with current the priority being the financial stability of the company.

8.2 Review of Joint-Use Agreement with Chilwell School

Agreed Action (Merits Attention 'Necessary Control')

The ongoing review and re-negotiation of the Joint-Use Agreement with Chilwell School will recommence, in conjunction with Legal Services, with a view to finalising the agreement.

Manager Responsible

Deputy Chief Executive

Revised Target Date: 31 December 2021

Progress Report of the Deputy Chief Executive

Some preliminary work has been undertaken, in conjunction with Legal Services, on the Joint Use Agreement with Chilwell School. Given the notice received from East Midlands Education Trust, the ongoing negotiations with EMET regarding Kimberley Leisure Centre remain the current priority.

9. Kimberley Depot and Security

9.1 Security Policy and Procedure

Agreed Action (Merits Attention 'Necessary Control')

A security policy and procedures guide will be produced for reference by managers and officers with responsibilities relating to depot security.

Manager Responsible

Head of Environment

Revised Target Date: 30 September 2021

Progress Report of the Head of Environmental Services

Although this task has been delayed due to service demands, work has progressed and this task should be completed before the revised target date.

9.2 Risk Assessments – Health and Safety

Agreed Action (Merits Attention 'Necessary Control')

A formal risk assessment will be completed and documented relating to the risk of flooding. The mitigating actions identified for a flooding event will be effectively communicated to those responsible to ensure the health and safety of employees.

Manager Responsible

Head of Environment

Revised Target Date: 30 September 2021

Progress Report of the Head of Environmental Services

A formal flood risk assessment has not yet been completed, although a Flood Plan is currently in draft form. Work has progressed and this task should be completed before the revised target date.

9.3 Inventories

Agreed Action (Merits Attention 'Necessary Control')

An inventory of all plant and equipment held at the depot and/or used offsite by the Environment Department will be recorded and maintained. This inventory will then be used to review insurance arrangements and ensure that the most appropriate cover is in place.

Manager Responsible

Head of Environment

Revised Target Date: 30 September 2021

Progress Report of the Head of Environmental Services

A task to create a full inventory list of plant and equipment at the Depot has progressed and this task should be completed before the revised target date.

9.4 Flood Plan

Agreed Action (Merits Attention 'Necessary Control')

A formal flood plan specific for Kimberley Depot will be developed. The plan will identify key officers and responsibilities; basic strategies to protect employees, equipment and machinery and to mitigate risks from contamination (including hazardous chemicals).

The plan will also include a checklist of actions to be completed when flooding is imminent, during the event and post-flood to ensure that no key actions are missed.

Manager Responsible

Head of Environment

Revised Target Date: 30 September 2021

Progress Report of the Head of Environmental Services

The Flood Plan has been prepared and will be finalised once the formal flood risk assessment is agreed. This task should be completed before the revised target date.

10. Housing Repairs

10.1 Completion and Reporting of Inspections

Agreed Action (Merits Attention 'Necessary Control')

As part of wider improvements to systems and processes (including form design), a review of the reporting framework will be undertaken with the aim of implementing an effective system of 'post-inspection' and 'monitored inspection', with progress being regularly reported to Housing Management accordingly.

Managers Responsible

Head of Service; Housing Repairs Manager

Revised Target Date: 31 December 2021

Progress Report of the Head of Asset Management and Development

Action delayed due to the limitations on inspection during pandemic but will be picked up more robustly once restrictions on entering properties have been lifted. The action will also progress the reporting within the new web-based Capita reporting.

10.2 Invoicing of Rechargeable Works

Agreed Action (Merits Attention 'Necessary Control')

The process for invoicing rechargeable repair works will be reinstated, although the current method for evidencing costs, producing bills and recovering the debt is very labour intensive.

The billing of rechargeable repair works will be reviewed as part of a wider piece of work to bring all housing related debt into the CAPITA system, depending upon system development.

Managers Responsible

Head of Service; Housing Repairs Manager

Revised Target Date: 31 December 2021

Progress Report of the Head of Asset Management and Development

This action is tied in with wider Capita system and resourcing issues.

10.3 Contact Centre (Customer Services)

Agreed Action (Merits Attention)

The key recommendations from commercial review of the Housing Repairs Service in relation to the Contact Centre will be implemented, in conjunction with the Head of Revenues, Benefits and Customer Services, as soon as practicable. The progress made on this should be regularly reported to Housing Management and the Housing Committee.

Managers Responsible

Head of Service; Housing Repairs Manager

Revised Target Date: 31 December 2021

Progress Report of the Head of Asset Management and Development

Progress is being made towards completing this action.

10.4 Job Costing and Stock Control

Agreed Action (Significant)

The progress made in delivering the Housing Repairs Review Action Plan have stalled due to various circumstances, not least the coronavirus pandemic lockdown. This action plan will be revisited when resources and the lifting of restrictions allow.

The job costing and stock control processes will be reviewed and updated as planned for in the Housing Repairs Review Action Plan. The progress made on this will be regularly reported to Housing Management and the Housing Committee.

Managers Responsible

Head of Service; Housing Repairs Manager

Revised Target Date: 31 December 2021

Progress Report of the Head of Asset Management and Development

Work has commenced on reviewing stocks and stores.

10.5 Overdue Contract Renewals

Agreed Action (Merits Attention 'Necessary Control')

The expired contracts for Glazing Services and Scaffolding will be reviewed, in conjunction with the Procurement and Contracts Officer, and subjected to formal competitive tender or direct award from a recognised framework, where appropriate, at the earliest opportunity.

Managers Responsible

Head of Service; Housing Repairs Manager

Revised Target Date: 31 December 2021

Progress Report of the Head of Asset Management and Development

All expired and non-compliant arrangements are being reviewed and a programme developed to bring these into full compliance.

11. Garages

11.1 Financial Appraisal of Individual Garage Sites

Agreed Action (Merits Attention 'Necessary Control')

The decision making process for individual garage sites will include consideration of likely costs, anticipated future rental income and the resultant payback period.

A retrospective review of the garages sites considered under phase 1 of the garage modernisation works will be undertaken to inform the consideration of options for phase 2.

Managers Responsible

Head of Housing;

Garages Strategy Working Group

Revised Target Date: 31 December 2021

Progress Report of the Head of Housing

The next phase of garage sites will not be determined until January 2022. A full retrospective review will be completed prior to any other sites being identified. Other work, such as progressing the Council's development and acquisitions programmes, has been prioritised to enable tight deadlines to be met.

This page is intentionally left blank

Report of the Chief Audit and Control Officer

ANNUAL COUNTER FRAUD REPORT

1. Purpose of report

To provide the Committee with the annual report on counter fraud and corruption and money laundering prevention activity in 2020/21.

2. Detail

Fraud and corruption are a serious and ongoing threat to the financial health of the public sector. It is estimated that over £40bn each year is lost as a result of fraudulent acts both against and within public sector organisations, of which £7.3bn is specifically in local government. The Council acknowledges the significant negative impact fraudulent and corrupt acts can have on the Council, the delivery of its Corporate Plan and the services provided to residents.

The Fraud and Corruption Prevention Policy was approved by this Committee in March 2017. The Policy Statement is that the Council takes a zero-tolerance approach to fraud and corruption. The Council is committed to establishing a strong anti-fraud and corruption culture and will take all necessary steps to prevent, detect and punish fraudulent and corrupt acts. The Policy also recognises that Internal Audit will take a more prominent role in leading and co-ordinating anti-fraud and corruption activities.

There are national and local processes in place to help the Council identify and tackle fraud. This is underpinned by the Fraud and Corruption Prevention Policy. In addition, the examination of the risk of fraud is integral to the Council's governance and risk management arrangements. As part of the process, reports relating to fraud and corruption prevention activity are submitted to this Committee. Further details of activity for the forthcoming year are included in appendix 1. The delivery of these actions will help to further strengthen the arrangements in place.

Internal Audit has completed a fraud risk assessment exercise, in conjunction with senior management, taking into account published guidance and reports from CIPFA; National Fraud Initiative (NFI), Government; external auditors and other relevant organisations. An outcome of this process is the production of a Fraud and Corruption Risk Register, which is included in appendix 2

Recommendation

The Committee is asked to NOTE the Annual Counter Fraud Report.

Background papers

Nil

APPENDIX

ANNUAL COUNTER FRAUD REPORT 2020/21

1. Introduction

Fraud and corruption are a serious and ongoing threat to the financial health of the UK public sector. The latest report from the Chartered Institute of Public Finance and Accountancy (CIPFA) estimates that fraud costs the public sector at least £40.3bn each year of which £7.3bn is specifically in local government.

CIPFA published the results of its sixth annual Fraud and Corruption Tracker survey in February 2021. This survey focused on local government and shows how the sector is dealing with the fraud threat. The responses received provided a spread of results from across all regions, enabling it to estimate the total figures for fraud across UK local authorities.

The key findings were that:

- An estimated 47,000 frauds were detected or prevented across local authorities in 2019/20 with a total value of £239m (down from £253m).
- The average value of each fraud case detected or prevented increased to £5,090 (from £3,600 in 2018/19).
- Procurement and Council Tax Single Person Discount are still perceived as the two greatest fraud risk areas
- The four main types of fraud by volume that affect local authorities remain council tax, housing, blue badge fraud and business rates.
- The highest number of identified instances of fraud related to council tax fraud (65%) with an estimated value of £35.9m
- The highest value area of fraud is housing and tenancy fraud, estimated at £122.4m. This includes right-to-buy, illegal sub-letting and other tenancy frauds including succession and false applications.
- Business Rates fraud represents 1% of the total estimated number of fraud cases detected or prevented. This represents a marginal decrease from the previous year and is reported as the fourth highest fraud risk area for district councils.
- 43% of responding local authorities had a dedicated counter fraud service, with 23% of other responders referring to the counter fraud work completed by their Internal Audit teams.
- Other notable types of fraud (but which did not emerge as major types of fraud nationally) include insurance; welfare assistance; economic and voluntary sector support; payroll, recruitment, expenses and pension; and mandate fraud and manipulation of data.

2. Local Context

The Council acknowledges the significant negative impact fraudulent and corrupt acts can have on the delivery of services provided to residents.

The Policy Statement, as set out in the Fraud and Corruption Prevention Policy approved by this Committee in March 2017, is that the Council takes a zero-tolerance approach to fraud and corruption. The Council is committed to establishing a strong anti-fraud and corruption culture and will take all necessary steps to prevent, detect and punish fraudulent and corrupt acts.

Where a fraudulent or corrupt act is proven to have taken place, the Council will take all appropriate action against the perpetrator and pursue all available options to recover any losses.

3. Role of Internal Audit

Internal Audit traditionally plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud and corruption. It may be requested to investigate cases of suspected financial irregularity, fraud or corruption, in accordance with agreed procedures. The authority of the Deputy Chief Executive and his authorised representatives to access premises, documents, records and explanations, if required for the purposes of the Internal Audit, are supported within the Financial Regulations.

a. Risk Assessment

The Deputy Chief Executive, as the Council's Section 151 Officer, is responsible for the ongoing assessment of the risk to the Council of financial or other loss resulting from fraud and corruption. Whilst the focus of the risk assessment will be the potential financial loss and/or disruption to services, other important areas such as reputational risk and impact on employee welfare are also considered.

A fraud risk assessment is periodically undertaken by the Chief Audit and Control Officer, in conjunction with senior management, that takes into account published guidance and relevant information from Central Government, CIPFA, the National Fraud Initiative and other relevant organisations.

The current version of the Fraud Risk Register is provided at appendix 2.

b. Detection and Prevention

The fraud risk assessment provides the basis for an ongoing detection and preventative audit work programme to be performed. Internal Audit will liaise with management to recommend changes in procedures to reduce risks and prevent losses to the Council.

c. Response

The role of Internal Audit extends to acting as a co-ordinating and investigating service for all non-benefit related fraud and corruption reports and to manage the Council's response to such reports. Benefit fraud alerts are referred to the Single Fraud Investigation Service of the Department for Work and Pensions.

4. Summary of Activity

a. Training and Awareness

Fraud prevention has to be underpinned by a strong anti-fraud culture that is driven by senior management. It requires active promotion to include officers, members, key stakeholders and the public.

This culture should seek to motivate employees and ensure that they understand the importance of tackling fraud; are able to recognise fraud; and know how to report any suspicions of fraud. The most effective anti-fraud culture changes people's attitudes and behaviours towards fraud, positively reinforcing their responsibility in preventing, detecting and reporting fraud and deterring would-be criminals from committing fraud in the first place.

Internal Audit has been positive in sharing general fraud awareness updates with employees, in addition to providing more targeted fraud information to relevant officers. A counter fraud web-page is being developed for the intranet to complement information already provided on the website. Further training opportunities are also being considered in terms of fraud awareness and money laundering, which could be developed as an e-Learning package for employees on Broxtowe Learning Zone.

b. National Fraud Initiative (NFI)

The Council participates in the Cabinet Office's National Fraud Initiative programme (NFI), which matches electronic data within and between the public and private sector to assist in the prevention and detection of fraud. These include local authorities, police authorities, local probation boards, fire and rescue authorities as well as a number of private sector bodies. The NFI tool is helpful in assisting to identify potential fraud in areas such as council tax, housing benefit, pensions, payroll and housing tenancy. Since its introduction in 1996, the NFI programme has helped identify £1.93bn nationally in fraud or error.

The Council periodically provides specified sets of data to the Cabinet Office for matching. The data provided can include records relating to council tax, creditors, payroll, electoral register, housing tenants, housing waiting lists, insurance claims and licences. Whilst Internal Audit is the single point of contact for participation in the NFI data matching programme, the process does require the support of the respective service managers with responsibilities for

the service/system being subjected to review under the scheme. A network has been established to enable departments to support Internal Audit with this work.

The most recent NFI exercise generated 949 matches across the various data sets. This included 613 priority matches for further scrutiny (177 high risk and 436 medium risk). Investigation work is ongoing with the target of completing 100% of the recommended priority matches by December 2021.

In February 2020 the Council was part of a countywide initiative to engage with the NFI Premium Service for reviewing Council Tax Single Person Discounts (CTSPD). In addition to checking Council Tax records against the Electoral Register, the premium service also compared records against credit reference data to generate further matches for scrutiny.

The exercise identified 755 priority positive matches for further scrutiny (66 high risk and 689 medium risk). These included claimants suspected of having undisclosed occupants in the household; claimants with 'rising 18's'; and others with other occupants matching deceased data.

Immediately before the pandemic lockdown, the Revenues team had reviewed all the high risk cases, of which 48 have been processed. This resulted in eight changes which will see £4,454 additional Council Tax being collected this year. Unfortunately, further work (in pursuing cases unreturned and reviewing medium risk cases) had to be put on hold as a result of Covid-19 so this work has not yet been as successful as anticipated. This will be revisited in due course.

c. Internal Audit – Special Investigations

No major fraud investigations were undertaken by Internal Audit in 2020/21.

A series of assurance reports on the Emergency Covid-19 Business Grants Schemes were presented to this Committee during 2020 and 2021. This has complemented the assurance, review and fraud prevention work completed in the earlier stages of the pandemic.

Internal Audit also completed a review of the processes and procedures followed by the Council upon the discovery of a large amount of cash within the home of a deceased housing tenant. An Internal Audit Report was issued to management in August 2021, providing assurance over the security of cash handling, banking and considerations from a Money Laundering Prevention perspective.

d. Revenues and Benefits

In addition to the programmes relating to discounts awarded for Council Tax utilising the NFI Premium Service, much of the current counter fraud activity within the Revenues and Benefits teams is in support of the DWP. In 2020 this activity included:

- Issuing two fraud referrals to the DWP
- Completing 10 Local Authority Information Exchange Forms (LAIEF), being requests for information from the DWP to support their ongoing investigations
- Undertaking one adjudication.

A sample of successful Housing Benefits cases in the year included:

- An overpayment of Housing Benefit totalling £12,756.35 due to earnings.

There have been no further specific programmes relating to discounts, exemptions and reliefs awarded for Business Rates, although the regular inspection activity is ongoing.

e. Emergency COVID-19 Business Grants Schemes

Internal Audit played a key role in both supporting the Revenues team and scrutinising the various Covid-19 Emergency Business Support Grant schemes in 2020/21. The Chief Audit and Control Officer supported the Head of Revenues, Benefits and Customer Services in setting-up processes for flagging potential fraud and irregularities with business grant applications. Internal Audit also provided assurance reviews and vital work associated with the quality assessment and fraud checking of the grants paid. This work continued in later national lockdowns and the 're-start' phase. The Council has also undertaken further post-scheme fraud checking utilising the NFI functionality, which will include cross-checking of bank account details.

f. Finance

The Finance Services team engages with banks and other financial institutions to prevent fraudulent activity. This includes both treasury management activity and creditors payments. Barclays Bank has provided officers with fraud awareness briefing sessions, including a session relating to the payment of the emergency Covid-19 business grants.

g. Cyber Crime

An independent 'cyber security health check' was successfully undertaken to test the Council's ICT systems to mitigate against the risk of cyber criminals trying to defraud local authorities. This work was followed-up with an Internal Audit review of cyber-risk and security, with the audit objectives being based around the National Cyber Security Centre (NCSC) 10 Steps to Cyber Security. This audit found that the Council has an appropriate framework in place with no significant areas of concern being identified during the course of the audit.

h. Housing

Nationally, the risk of fraud relating to housing has been identified as high value. In a local context, the risks for this Council include the potential for tenancy fraud, sub-letting and risks associated with the 'Right to Buy'.

In respect of 'Right to Buy' applications, appropriate checks are undertaken to prevent and detect potential fraud, including:

- Requesting identity and proof of address for each applicant
- Checking if the applicant is in receipt of Housing Benefit and referring this on for enquiry (particularly where the sale is expected to be financed without a mortgage)
- Checking each applicant's details with appropriate agencies (including the National Anti-Fraud Network) to see if the applicant has other mortgages and to check the persons registered at the address from electoral records
- Requiring applicants to provide details as to how they intend to finance the purchase. If monies are being gifted, the Council will require the applicant to provide confirmation from the third party that these funds are available and seek proof of identification.

i. Licensing

The Licencing service continues to check right-to-work status for all new taxi/private hire drivers and for relevant alcohol licensing applications.

Following the advent of the Immigration Act 2016, these measures assist in preventing illegal working, unlawful employment of workers and unlawful payments to employees.

Since 1 July 2021, checks are also undertaken on all EU/EAA citizens to ensure that they have right to work/settled status.

j. Insurance

The Council continues to work with its insurers who regularly provide briefings and advice to enable officers to remain vigilant to potential fraudulent claims. All claims continue to be rigorously reviewed at every stage to ensure that anything suspicious is identified and the appropriate outcome is achieved. Claimants are advised that the information provided may be shared by the insurers with other appropriate bodies responsible for the prevention and detection of fraud, such as the Claims and Underwriting Exchange Register and the Theft Register.

5. Plans for 2021/22

The focus of activity will remain on prevention and deterrence as Internal Audit looks to develop the Counter Fraud Hub. The following actions are planned:

- Review the Fraud and Corruption Prevention Policy and the Money Laundering Prevention Policy to ensure that they remain fit for purpose and are in line with current legislation and best practice (Target completion – March 2022).
- Periodically revisit the Fraud Risk Assessment exercise (in conjunction with senior management and taking into account published guidance from central government, CIPFA, NFI and other relevant organisations) and update the Fraud Risk Register accordingly (Target – September 2022).
- Management will continue to work with Internal Audit to review and improve the systems and key controls in areas where fraud risk is assessed as high or medium.
- Continue to raise awareness amongst employees, members, key stakeholders and local community about the risk of fraud in all areas of the Council's operations, to include:
 - Development of webpages for the intranet and internet
 - Regular circulation of fraud awareness emails
 - Introduction of a counter fraud e-Learning package.
- Undertake the latest NFI exercise; complete the priority NFI data matching work; and follow-up on the actions undertaken in respect of the Council Tax Single Person Discount exercise (Target – March 2022).
- Keep informed of national developments in counter fraud so that the Council can continue to respond positively to new ideas, initiatives and examples of best practice.

APPENDIX 2

FRAUD AND CORRUPTION RISK REGISTER – AUGUST 2021Introduction and Background

Internal Audit has undertaken a fraud risk assessment with a view to reviewing and updating the Fraud and Corruption Risk Register.

The risk assessment has been informed by national data on fraud risks and local knowledge to establish and categorise a suite of potential fraud risks. The ongoing review with key officers will better determine the extent to which potential fraud risk could actually occur within the compass of their operations. It is expected that such risks will be periodically reviewed and considered, along with other areas identified as being vulnerable to the risk of fraud, as part of ongoing Internal Audit and risk management work.

Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption is widely recognised as a key component of a quality governance framework. One of the key principles of the Code is to identify the fraud and corruption risks within the organisation; understand the exposure to these risks and routinely consider these as part of risk management arrangements.

The preparation of the fraud risk assessment, as presented in the appendix, satisfies this key principle of the Code. The Fraud and Corruption Risk Register has been considered by General Management Team (GMT) and will be continue to be published in the Annual Counter Fraud Report to this Committee.

The production of a Fraud and Corruption Risk Register should facilitate consideration and action to address specific fraud risks throughout the Council. It is recognised that the Council has developed an anti-fraud culture and some of the risks noted present low levels of risk due to the established control framework or other mitigating measures. Nevertheless, it is important to periodically review these and consider if any further actions are needed. The risks identified present a mix of corporate/cross-cutting and service specific risks.

The register is live document intended to support managers in considering and reducing the exposure to these risks in their service areas.

Fraud Risk Matrix

The corporate 5x5 risk matrix is used for assessing the threats for each fraud risk in terms of both the likelihood and impact. A score is provided for both the inherent risk and the assessed residual risk. This matrix reflects the direction of travel in terms of the effect of mitigation measures implemented to help manage a particular risk. It also assists in directing resources to areas where they will have the most influence.

		Risk – Threats				
Likelihood	Almost Certain - 5	5	10	15	20	25
	Likely – 4	4	8	12	16	20
	Possible - 3	3	6	9	12	15
	Unlikely - 2	2	4	6	8	10
	Rare – 1	1	2	3	4	5
		Insignificant – 1	Minor – 2	Moderate – 3	Major – 4	Catastrophic – 5
		Impact				

Risk Rating	Value	Action
Red Risk	25	Immediate action to prevent serious threat to provision and/or achievement of key services or duties
	15 to 20	Key risks which may potentially affect the provision of key services or duties
Amber Risk	12	Important risks which may potentially affect the provision of key services or duties
	8 to 10	Monitor as necessary being less important but still could have a serious effect on the provision of key services
	5 to 6	Monitor as necessary to ensure risk is properly managed
Green Risk	1 to 4	No strategic action necessary

In applying the matrix to the fraud and corruption risks posed, reference has been made to published guidance and reports from CIPFA, the National Fraud Initiative (NFI), the Government, the external auditors and other relevant organisations and inspectorates. Existing knowledge of the Council's operations derived from previous counter fraud and Internal Audit work has also been drawn upon as appropriate.

This risk register will serve as a 'living document' and evolve over time as the nature of the services provided by the Council and the environment within which it operates changes, giving rise to variations in the Council's risk profile.

Fraud and Corruption Risk Register

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Housing Tenancy (Applications)	Fraudulent applications for new or successive tenancies	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI	12	6
Housing Tenancy (Subletting)	Sub-letting of Housing properties	Direct and indirect monitoring of tenanted properties Data-matching exercises through NFI	10	6
Right to Buy	Fraudulent Right-to-Buy applications	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI	16	4
Benefits	Fraudulent applications for Housing Benefit	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI Risk Based Verification of Claims	10	4
Disabled Facility Grants	Fraudulent applications for new or additional grants	Documentary evidential requirements Officer site visits Checking, review and authorisation procedures	12	3
Council Tax	Fraudulent applications for discounts and reliefs, including Single Occupier Discount and Local Council Tax Support	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI	15	4

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Business Rates (Discounts/Relief)	Fraudulent applications for discounts and reliefs including Small Business Rate Relief and Charitable Relief	Documentary evidential requirements Checking, review and authorisation procedures Property Inspector visiting properties	12	4
Business Rates (Properties)	Unlisted / Concealed Properties	Officer knowledge of borough development Data-matching exercises through NFI Working with third party company to identify gaps	6	4
Procurement and Commissioning (Contract Awards)	Improper award of contracts due to lack of tendering and/or collusion with or between potential suppliers	Procurement and Commissioning Strategy Procurement and Contracts Officer Internal monitoring of supplier spends Publication of Contracts Register Code of Conduct Register of interests, gifts and hospitality Contract Monitoring	16	8
Procurement and Commissioning (Purchases)	Purchase of items for personal use or profit through resale	Authorisation controls through Civica Financials Purchasing and Creditors systems Monitoring of Purchase Card transactions Inventories Budget Monitoring	12	4
Procurement and Commissioning (Payments)	Redirection of payments to third party bank accounts through fraudulent submission of changes in bank details	Restrictions on officer abilities to modify supplier bank details Checking, review and authorisation procedures	16	4

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Payroll (Bogus employees)	Creation of bogus ('ghost') employees	Documentary evidential requirements Checking, review and authorisation procedures Independent headcount reconciliation	9	3
Payroll (Overtime/Claims)	Fraudulent overtime or expenses claims	Documentary evidential requirements Checking, review and authorisation procedures	9	4
Human Resources (Applications)	False employment applications	Documentary evidential requirements Checking, review and authorisation procedures	12	4
Human Resources (Sickness)	False claims for sickness absence	Documentary evidential requirements Checking, review and authorisation procedures	12	4
Planning	Intentionally false or misleading information contained within planning applications	Documentary evidential requirements Officer site visits Checking, review and authorisation procedures	12	4
Grant Aid	Fraudulent grant applications for work or activities not carried out or by ineligible groups or individuals	Documentary evidential requirements Knowledge of local community groups and individuals	9	3
Money Laundering	Money Laundering, often in the form of significant cash overpayments then followed by an electronic or cheque refund	Anti-Money Laundering Policy and Procedures Reporting channels to Money Laundering Reporting Officer (MLRO) and Internal Audit Reviews of customer account credit balances Upper limit on receipt of cash transactions	12	4

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Internal Fraud and Corruption (Inducements)	Inappropriate favourable treatment of a supplier/customer/ applicant by a Council officer, often in exchange for financial reward.	Code of Conduct Disciplinary Procedure Whistleblowing Procedure Declarations of Interest Review/authorisation processes for decision making	9	4
Internal Fraud and Corruption (Theft)	Theft of cash or other physical assets	Limited Petty Cash floats Bank Reconciliation Inventories	9	4
Internal Fraud and Corruption (Payments)	Redirection of payments to personal bank accounts	Restrictions on officers modifying supplier bank details Checking, review and authorisation procedures	9	3
Internal Fraud and Corruption (Improper Use)	Improper personal use of Council assets (such as vehicles and fuel)	Code of Conduct Tachographs Monitoring of fuel usage Vehicle Tracking (Masternaut)	9	4
Licensing	Fraudulent applications for new or renewed licences	Documentary evidential requirements Checking, review and authorisation procedures Data-matching exercises through NFI	12	4
Insurance Fraud (Claims)	False, inflated or duplicate claims	Documentary evidential requirements Checking, review and authorisation procedures Internal and external (insurance company) monitoring of claims	12	4

Risk Area	Risk	Mitigation	Inherent Score	Residual Score
Cybercrime (System Outage)	System outage, operational disruption, financial loss and / or reputational damage as a result of a targeted cyber attack	Firewalls and similar ICT security systems Disaster Recovery and Business Continuity Plans Frequent initial and refresher training for all staff	25	5
Cybercrime (Data Breach)	Loss of data and / or data breach as a result of targeted cyber attack	Firewalls and similar ICT security systems Disaster Recovery and Business Continuity Plans Frequent initial and refresher training for all staff	20	4
Cybercrime (Internal Theft)	Intentional theft of data by an employee	Code of Conduct Disciplinary Procedure Frequent initial and refresher training for all staff	12	6

This page is intentionally left blank

Report of the Executive Director

WORK PROGRAMME

1. Purpose of report

To consider items for inclusion in the Work Programme for future meetings.

2. Background

Items which have already been suggested for inclusion in the Work Programme of future meetings are given below. Members are asked to consider any additional items that they may wish to see in the Programme.

29 November 2021	<ul style="list-style-type: none"> • Internal Audit Progress Report • Review of Strategic Risk Register • Community Governance Review – Draft Recommendations • Annual Audit Letter 2020/21 - External Auditors Report on the Statement of Accounts 2020/21 • Governance Arrangements for the Beeston Town Centre Development. • Code of Conduct • Governance Arrangements for the Code of Conduct
14 March 2022	<ul style="list-style-type: none"> • External Audit Plan 2021/22 • Statement of Accounts 2021/22 – Accounting Policies • Statement of Accounts 2021/22 – Underlying Pension Assumptions • Statement of Accounts 2021/22-Going Concern • Internal Audit Plan 2022/23 • Internal Audit Progress Report • Review of Strategic Risk Register

Recommendation

The Committee is asked to CONSIDER the Work Programme and RESOLVE accordingly.

Background papers

Nil.

This page is intentionally left blank