



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 27 JANUARY 2021**
Time: **5.00 PM**
Venue: **MICROSOFT TEAMS - REMOTE**
[\(CLICK HERE\)](#)
To: **Councillors K Arthur (Chair), N Reader (Vice-Chair),
J Chilvers, M Jordan, T Grogan, K Franks, J Duggan and
D Mackay**

1. Apologies for Absence

2. Disclosures of Interest

A copy of the Register of Interest for each Selby District Councillor is available for inspection at www.selby.gov.uk.

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

3. Minutes (Pages 1 - 8)

To confirm as a correct record the minutes of the Audit and Governance Committee held on 21 October 2020.

4. Chair's Address to the Audit and Governance Committee

5. Audit and Governance Work Programme (Pages 9 - 10)

To note the current Work Programme and consider any amendments.

6. Information Governance Annual Report 2020 - Information Requests (A/20/17) (Pages 11 - 14)

To note the content of the report.

7. External Annual Audit Letter 2020 (A/20/18) (Pages 15 - 34)

The Committee are asked to consider the report of the external auditor.

8. External Audit Progress Report (A/20/19) (Pages 35 - 50)

To consider the External Audit Progress Report.

9. Review of the Risk Management Strategy (A/20/20) (Pages 51 - 72)

The Committee are asked to note the revisions to the Risk Management Strategy.

10. Corporate Risk Register 2020-21 (A/20/21) (Pages 73 - 96)

To note the current status of the Corporate Risk Register.

11. Internal Audit, Counter Fraud & Information Governance Progress Report 2020-21 (A/20/22) (Pages 97 - 118)

To provide an update on the delivery of the internal audit work plan for 2020-21. The report also updates the Committee on counter fraud and information governance work undertaken so far in 2020-21.

12. Counter Fraud Framework Update (A/20/23) (Pages 119 - 190)

To recommend that the Executive approve a new Counter Fraud and Corruption Strategy for 2020 to 2023 and an updated Counter Fraud and Corruption Policy. In addition, the Committee is asked to comment on and note the updated Fraud Risk Assessment.

13. Annual Governance Statement Action Plan 2019-20 Review (A/20/24) (Pages 191 - 194)

To review progress on the Annual Governance Statement (AGS) 2019/20 Action Plan approved in November 2020.

14. Veritau North Yorkshire Contract Extension 2021 (A/20/25) (Pages 195 - 198)

To consider the extension of the contract for Veritau North Yorkshire and to make recommendations to the Executive.

Janet Waggott

Janet Waggott, Chief Executive

<p>Date of next meeting (5.00pm) Wednesday, 21 April 2021</p>
--

Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065
ddrury@selby.gov.uk.

Live Stream

This meeting will be streamed live online, to watch the meeting when it takes place,
[click here.](#)

Recording at Council Meetings

Selby District Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform Democratic Services of their intentions prior to the meeting by emailing democraticservices@selby.gov.uk

This page is intentionally left blank

Minutes

Audit & Governance Committee

Venue:	Microsoft Teams - Remote
Date:	Wednesday, 21 October 2020
Time:	5.00 pm
Present remotely via Teams:	Councillors K Arthur (Chair), N Reader (Vice-Chair), J Chilvers, M Jordan, T Grogan, K Franks and J Duggan
Officers present remotely via Teams:	Karen Iveson (Chief Finance Officer), Alison Hartley (Solicitor to the Council and Monitoring Officer), Michelle Oates (Senior Accountant), (Mark Kirkham (Partner, Mazars LLP), Nicola Hallas (Manager, Mazars LLP), Ed Martin (Audit Manager, Veritau), Jonathan Dodsworth (Assistant Director - Corporate Fraud, Veritau), Rebecca Bradley (Assistant Director, Information Governance, Veritau); and Dawn Drury (Democratic Services Officer)
Others present remotely via Teams:	Councillor C Lunn (Lead Executive Member for Finance and Resources),

17 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Mackay.

18 DISCLOSURES OF INTEREST

There were no disclosures of interest.

19 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 29 July 2020.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 29 July 2020.

20 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair thanked all Councillors who had served on the Audit and Governance Committee during 2019-20 for their support and continued hard work and welcomed the new members of the Committee. He further thanked all officers for their contribution.

The Chair updated the Committee on the work of Sir Tony Redmond, who had led an independent review into oversight of local audit and transparency of local authority reporting.

Members noted that the purpose of the Redmond Review, which had been commissioned by the Government, was to test not only the impact of external audit activity in local government but also to look at how it helped to demonstrate public accountability, particularly to service users and council taxpayers; issues which were considered highly relevant to the work of the Committee.

A number of detailed recommendations had been put forward in the review, to include:

- A review and potential simplification of local authority accounts and a revision to the deadline for publishing the audited accounts from 31 July to 30 September each year;
- A review of the governance arrangements within local authorities by local councils with the purpose of an annual report being submitted to Full Council by the external auditor; consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually;
- And a revision to the current fee structure for local audit to ensure that adequate resources were deployed to meet the full extent of local audit requirements.

The Chair highlighted that the review had yet to be considered by Government and that he would watch with interest as this progressed and looked forward to a formal report from officers if and when any of the contents become mandatory.

21 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

RESOLVED:

To note the Work Programme.

22 EXTERNAL AUDIT COMPLETION REPORT 2019-20 (A/20/11)

The Partner, Mazars LLP presented the report and explained that it set out a summary of the external audit progress for 2019-20.

The Partner, Mazars LLP highlighted that the audit report had been slightly modified to include an Emphasis of Matter paragraph in regard to the material uncertainty related to the valuation of land and buildings due to the pandemic. Members heard that the opinion of the external auditor was not modified in respect of this matter, and it was confirmed that this was not unusual and had happened at other local authorities.

In reference to the risk relating to the 'Management override of control' the Committee noted that there were no risks found, and it was confirmed that the Council would be issued with an unqualified value for money conclusion for the 2019-20 financial year, with no matters to report.

In relation to the 'Defined Benefit Pension Liability Valuation', the Partner, Mazars LLP explained that the valuation of the Local Government Pension Scheme relied on a number of assumptions, this presented a significant risk as estimated figures were used as part of the audit work. It was further explained that the audit was not quite complete as certain steps within the procedure to be followed required completion; figures from the North Yorkshire County Council's (NYCC) auditor for the Council's Pension Scheme were also awaited.

In response to a question regarding how assurance of the valuation of the NYCC Pension Scheme was acquired, it was confirmed that there was a routine liaison arrangement in place with the auditor at NYCC to provide yearly figures.

Members asked a number of questions in relation to material certainty on the valuation of property, plant and equipment made at the 31st March, how assets were valued and how the 33k triviality level was determined. It was confirmed that challenge on the valuation estimation was undertaken and the judgement reached by the valuer had been considered, assets were valued at fair value; and the triviality level was a proportion of the Council's gross revenue expenditure.

RESOLVED:

To note the report.

23 CIPFA FINANCIAL MANAGEMENT CODE (A/20/12)

The Chief Finance Officer presented the report which provided a self-assessment, action plan and progress update on the Financial Management (FM) Code.

The Committee heard that the FM Code identified risks to financial sustainability and provided a framework of assurance and it was explained that compliance with the FM Code was mandatory for all local authorities from 2021-22 onwards.

Members noted that the self-assessment was completed in December 2019 and adopted by the Leadership Team in January 2020. It was highlighted that some areas for improvement had been identified with a number of actions on the action plan agreed by the Leadership Team.

Resolved:

To note the report.

At this point in the meeting, Councillor Mike Jordan left the meeting and did not return.

24 INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PROGRESS REPORT 2020-21 (A/20/13)

The Audit Manager, Veritau presented the report which provided an update on progress made in delivering the internal audit work plan for 2020-21, along with an update on the counter fraud and information governance work undertaken to date in 2020-21.

The Audit Manager, Veritau explained that due to Covid-19 work on the annual audit plan had been delayed, however planning had commenced on eleven audits for 2020-21, with fieldwork expected to commence shortly. It was further explained that there were nine 2019-20 audits where fieldwork had been completed and where action was required, this would be agreed with managers as part of the 2020-21 work.

In relation to the counter fraud aspect of the report, the Assistant Director Counter Fraud, Veritau informed Members that normal areas of work for the Counter Fraud team had been hindered by Covid-19 but new work had emerged relating to Covid-19 grants. It was highlighted that four investigations of suspected fraudulent Covid-19 grant applications had been completed to date and £30k of payments had been prevented. It was further confirmed that post assurance checks had been undertaken on successful grant applications; of the seventy two successful applications reviewed seventy one applications were verified as being correctly awarded, and one had been flagged for further checks.

The Assistant Director Information Governance, Veritau drew the Committee's attention to appendix C of the report which provided an update on Information Governance matters, to include the General Data Protection Regulation (GDPR) action plan along with data breaches. Members were informed that to respond to Covid-19 a new privacy notice for council employees had been written and published; and an overall Information Sharing Agreement (ISA) had been put in place with North Yorkshire County Council for Covid-19 related sharing.

In relation to a query regarding when the Council had last been inspected for compliance regarding the Regulation of Investigatory Powers Act 2000 (RIPA), the Solicitor to the Council was unable to confirm the specific date but confirmed that the policy was being reviewed at present, and stated that she would circulate the information to the Committee.

The Committee asked a number of questions in relation to the three identified fraudulent Covid-19 grant applications, it was confirmed that one company had not been operational and two had provided false details to divert monies. It was further confirmed that the perpetrators had been reported to the necessary authorities and were being pursued.

In relation to the review of the Council's privacy notices, Members queried what gaps had been identified in the review, and why a new privacy notice had been written for Council employees in response to Covid-19. The Assistant Director Information Governance, Veritau informed Members that the gaps had been identified in service areas where specific privacy notices were required, and that the new employee privacy notice informed employees about what the Council did with their personal details and how they protected the data.

RESOLVED:

To note the progress on delivery of internal audit, counter fraud and information governance work.

25 STATEMENT OF ACCOUNTS 2019-20 (A/20/14)

The Chair drew Members' attention to the supplementary agenda which had been circulated for this item and contained appendices A and B to the report.

The Committee received the Statement of Accounts, presented by the Chief Finance Officer. It was explained that this was a technical set of statements, with a narrative statement which gave commentary on key issues at the Council during the financial year. It was further explained that following discussion with the External Auditor, additional wording related to the pension fund had been added at page 48 of appendix A, which highlighted material uncertainty in the valuation of some of the Pension Fund assets. This uncertainty had to be highlighted in Selby's accounts and was in keeping with other members of the Pension Fund; it featured in the External Auditors completion report but did not impact on any of the figures within the accounts.

The Chief Finance Officer highlighted that in view of the Pension Fund asset valuation the audit was not complete and requested that Members delegate authority to her to make any minor amendments which may arise in the accounts in consultation with the Chair of the Committee; and authority to sign the letter of representation contained within the agenda pack on completion of the audit.

The Committee's attention was drawn to appendix B which set out key movements between the financial years of 2018-19 and 2019-20 and identified key changes.

The Chair queried what had occurred in the General Fund to produce the variance in customer and client receipts, it was confirmed that the scale of

planning applications received had not been as high as had been budgeted for, this had resulted in reduced income from planning fees, there was also reduced property and recycling income, and reduced occupancy in industrial units.

In response to a query regarding why targets had not been realised in budget savings, the Chief Finance Officer advised Members that the Council had a comprehensive Savings Plan which was reported to the Executive quarterly. It was highlighted that the shortfall in savings was due to a number of different reasons to include capacity to progress the Digital Strategy and transformation.

The Committee approved the Statement of Accounts, subject to the completion of the audit.

RESOLVED:

- i. **To approve the Statement of Accounts 2019-20, subject to the completion of the audit.**
- ii. **To delegate authority to the Chief Finance Officer to make minor amendments to the accounts in consultation with the Chair of the Committee.**
- iii. **To authorise the Chief Finance Officer to sign the letter of representation as set out in draft in the External Auditors report at item 6 of the agenda.**

26 LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN ANNUAL REVIEW LETTER 2019-20 (A/20/15)

The Committee received the report, presented by the Solicitor to the Council who explained that the Local Government and Social Care Ombudsman was the final stage for complaints made against Local Authorities.

The Committee heard that the Council had received 12 complaints in the year 2019-20; of those only 5 cases had been progressed to a detailed investigation by the Ombudsman, of which 3 had been upheld. It was further explained that the Council showed a 100% record of implementation of the recommendations made by the Ombudsman.

The Committee was assured that the complaints process was operating effectively and noted the importance of complaints in terms of positive learning and improvement of services following their consideration.

RESOLVED:

To note the Local Government and Social Care Ombudsman Annual Review Letter 2020.

27 AUDIT & GOVERNANCE ANNUAL REPORT 2019-20 (A/20/16)

The Committee received the report from the Chair, which asked them to approve the Audit and Governance Committee Annual Report 2019-20.

RESOLVED:

To approve the Audit and Governance Annual Report 2019-20.

The meeting closed at 6.05 pm.

This page is intentionally left blank

Audit Committee Work Programme 2020-21

27 January 2021	Information Governance Annual Report 2020	To approve the Information Governance Annual Report
	External Annual Audit Letter 2020	To review the Annual Audit Letter 2020
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Strategy	To review the Risk Management Strategy
	Corporate Risk Register	To review the Corporate Risk Register
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Counter Fraud Framework Update	To approve the revised Counter Fraud and Corruption Strategy Action Plan; and comment on and note the updated Counter Fraud Risk Assessment.
	Review of Annual Governance Statement Action Plan 2019-20	To review the Annual Governance Statement Action Plan 2019-20
	Veritau North Yorkshire Contract Extension	To consider the extension to the Veritau North Yorkshire contract.

21 April 2021	Review of Action Log	To consider the latest Action Log.
	External Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Internal Audit, Counter Fraud and Information Governance Plan 2021/22	To approve the Internal Audit, Counter Fraud and Information Governance plans 2021/22
	Constitutional Amendments	To consider any proposed amendments to the Constitution.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
	Annual Report 2020/21	To approve the 2020/21 Annual Report of the Audit and Governance Committee
	Work Programme 2021/22	To approve the Audit and Governance Committee Work Programme for 2021/22

Agenda Item 6



Report Reference Number: A/20/17

To: Audit and Governance Committee
Date: 27 January 2021
Author: Caroline Fleming, Senior Solicitor, Working for Selby District Council on behalf of North Yorkshire County Council
Lead Officer: Karen Iveson, Chief Finance Officer and Senior Information Risk Officer

Title: Information Governance Annual Report 2020 – Information Requests

Summary:

This is the Council's annual report for 2020 in relation to information requests.

Recommendations:

That Audit and Governance Committee note the contents of this report.

Reasons for recommendation

To meet the requirement within the Audit and Governance Committee Terms of Reference.

1. Introduction and background

- 1.1 The current arrangement of annual reporting started following the Council's internal auditors (Veritau) publishing their report into their review of the Information Governance and Data Protection arrangements at Selby District Council in 2014. A project was established with a view to putting in place systems and controls to address the issues identified audit which have then been reported annually.
- 1.2 The Council's Central Information Governance Group (CIGG) which has membership from Legal, Policy and Performance, Business Development and Improvement, Data and Systems, Customers, Development Management, Contracts and Commissioning, Democratic Services, Operations and Veritau to monitor compliance continues to meet throughout the year.

2. The Report

- 2.1 This report sets out the position in relation to information requests during 2020.

2.2 Freedom of Information (FOI)/Environmental Information Regulations (EIR)

The Council maintains a well-defined system to administer and respond to information requests.

The table below shows the number of FOI/EIR requests received and responded to in January 2020 to December 2020 which shows a response “in time” of 87.27%.

Month	FOI Received	FOI completed within time	FOI completed out of time	% completed in time (20 days)	% completed out of time (20 days)
Jan-20	43	41	2	95.35%	4.65%
Feb-20	58	56	2	96.55%	3.45%
Mar-20	76	64	12	84.21%	15.79%
Apr-20	50	46	4	92.00%	8.00%
May-20	39	36	3	92.31%	7.69%
Jun-20	36	32	4	88.89%	11.11%
Jul-20	31	27	4	87.10%	12.90%
Aug-20	41	34	7	82.93%	17.07%
Sep-20	55	47	8	85.45%	14.55%
Oct-20	54	41	13	75.93%	24.07%
Nov-20	51	43	8	84.31%	15.69%
Dec-20	55	47	8	85.45%	14.55%
Total	589	514	75	87.27%	12.73%

In relation to the December 2020 response figure and percentages please note that the figures could change as the time limit for responding to requests from 20 December 2020 until the end of December has not yet expired.

The Council's performance data for 2015 reported to the Audit and Governance Committee showed a response "in time" rate of 77.59%. The performance data reported for subsequent years showed a response "in time" rate as follows:

2016 - 80.18%
2017 - 95.45%
2018 - 90.42%
2019 – 88.70%

The target being worked to is 86% as the Information Commissioner will consider formal performance monitoring of an authority where it responds to 85% or fewer requests within the statutory time period. Performance during 2020 has only been slightly below last year despite the added pressure on resources due to the global pandemic but remains above the ICO target level. Legal Services and Business Support continue to work with service areas to ensure that requests are responded to within statutory time limits with Business Support chasing responses from service areas before they are due and also introducing an escalation process to senior management if a response is at imminent risk of being classified late.

2.3 Subject Access requests

During 2020 the Council has received 38 personal data requests of which 21 were answered in 30 days, 8 outside 30 days, 1 cancelled with the remaining either awaiting identification documentation or clarification or are not yet due.

3. **Legal/Financial Controls and other Policy matters**

Legal Issues

- 3.1 The Information Commissioner has the power to fine the Council if there is a serious breach and she concludes that the Council does not have procedures in place that are sufficiently robust.

Financial Issues

- 3.2 There are no financial issues in this report.

Impact Assessment

- 3.3 Residents, suppliers, customers and partners have a reasonable expectation that the Council will hold and safeguard their data and deal with information requests appropriately. Failure to comply with recognised good practice will have a negative impact on the reputation of the organisation.

4. Conclusion

- 4.1 The overall levels of control are within reasonable levels and the existing framework operates satisfactorily.

5. Background Documents

None.

Contact Officer:

Caroline Fleming, Senior Solicitor
Working for Selby District Council
On behalf of North Yorkshire County Council
caroline.fleming@northyorks.gov.uk

Agenda Item 7



Report Reference Number: A/20/18

To: Audit and Governance Committee
Date: 27 January 2021
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Annual Audit Letter 2020

Summary:

The report from the external auditor, Mazars, is provided for comment and noting.

Recommendations:

To consider the External Annual Audit Letter 2020.

Reasons for recommendation

The Audit and Governance Committee is required, in accordance with Part 3 of the Constitution, to consider reports of the external auditor and inspection agencies relating to the actions of the Council.

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and summarises the work undertaken for the Council for the financial year ending 31 March 2020.

2. The Report

2.1 The report is attached at Appendix A and sets out a summary of external audit work undertaken for the financial year ending 31 March 2020.

2.2 The report confirms that the audit was completed in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (UK and Ireland).

2.3 The report also sets out key challenges and risks to the Council for the financial year 2020-21.

2.4 The Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

3. Legal/Financial Controls and other Policy matters

3.1 None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

Contact Officer:

Dawn Drury, Democratic Services Officer
Ext: 42065
ddrury@selby.gov.uk

Appendices:

Appendix A – External Annual Audit Letter 2020

Annual Audit Letter Selby District Council

Year ending 31 March 2020





Contents

- 01** Executive summary
- 02** Audit of the financial statements
- 03** Value for money conclusion
- 04** Other reporting responsibilities
- 05** Our fees
- 06** Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a 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.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Selby District Council (the Council) for the year ended 31 March 2020. Although our letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide information on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 30 November 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
Other information published alongside the audited financial statements	<p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none">• the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO on 4th November, we have confirmed the Council is below the threshold. We will send our WGA Assurance Statement when officers have completed the Council's submission.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the relevant financial reporting framework and whether they give a true and fair view of the Council's financial position and of its financial performance.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings and investment properties

We drew attention to Notes 4, 15 and 16 of the financial statements, which describe the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings and investment properties. The Council's valuers included a material valuation uncertainty declaration within their report as a result of the Covid-19 pandemic creating a shortage of relevant market evidence upon which to base their judgements. Our opinion was not modified in respect of this matter.

Emphasis of Matter - Material uncertainty relating to pension fund property valuations

We drew attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's share of North Yorkshire Pension Fund's property investment assets. As disclosed in Note 4 of the financial statements, the Pension Fund included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic. Our opinion was not modified in respect of this matter.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. We set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) because of the nature of certain items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied for the year ended 31 March 2020.

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Operating Expenditure at the surplus/deficit on provision of services	£1,216m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.36m



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls In all entities, 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. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting on amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work provided the required assurance.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Identified significant risk	Our response	Our findings and conclusions
<p>Property, plant and equipment (PPE) valuation</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>Although the Council employs external experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE because of the significant judgements and number of variables involved.</p>	<p>We addressed this risk by carrying out the following procedures:</p> <ul style="list-style-type: none"> critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; considered whether the overall revaluation methodologies used by the Council's valuer's are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; assessed whether valuation movements are in line with market expectations by using information available from other sources; and critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice. 	<p>We identified £61k of assets held in the fixed asset register that are no longer in use. The accounts were adjusted to remove these assets.</p> <p>We identified one property that has been omitted from the full valuation during the year. The net book value of the property at 31 March 2020 was £38k. We performed further audit procedures to gain assurance the asset was not materially misstated. We included this as an unadjusted misstatement.</p> <p>We identified one asset where we were unable to agree the floor area used in the valuation to supporting records. We obtained confirmations from the valuer and asset manager the floor area used was in line with their knowledge of the asset.</p> <p>We identified one asset where the floor area used did not agree to the supporting information. This has resulted in the value of the asset being understated by £40k. In accordance with our audit methodology we extrapolated this error across the remaining population. This gave an extrapolated error of £100k. This was included as an unadjusted misstatement.</p> <p>As detailed on page 3, our Audit Report included an emphasis of matter associated with material uncertainty relating to valuations of land and buildings and investment properties.</p> <p>Our work obtained the required audit assurance.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Identified significant risk	Our response	Our findings and conclusions
<p>Defined benefit liability valuation</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the North Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2019.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>	<p>We addressed this risk using the following audit procedures:</p> <ul style="list-style-type: none"> • reviewing the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council's process and controls with respect to the assumptions used in the valuation; • evaluating the competency, objectivity and independence of the scheme Actuary, Aon Hewitt; • reviewing the appropriateness of the methodology applied, and the key assumptions included within the valuation, comparing them to expected ranges, utilising the information provided by PwC, consulting actuary engaged by the National Audit Office; and • reviewing the methodology applied in the valuation of the liability by Aon Hewitt. 	<p>As detailed on page 3, our Audit Report included an emphasis of matter associated with material uncertainty relating to valuations of Pension Fund property valuations.</p> <p>Our work obtained the required audit assurance.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Description of deficiency	IT – Change management We noted that changes to the Revenue and Benefits System and Benefits System (Northgate) and the Finance system (COA) are performed externally to the Council. As a consequence, we have been unable to determine that changes to the systems were authorised, tested and approved prior to implementation.
Potential effects	Lack of internal oversight of the change management process can lead to unforeseen changes to functionality.
Recommendation	Ensure that the Council’s IT department is informed and retain evidence of the authorisation, testing and approval of changes / upgrades to the systems.
Management response	The Data & Systems team will ensure that any changes to systems performed externally are documented to include details of testing and sign off performed prior to live implementation.

Description of deficiency	Property, plant and equipment – evidence to support valuations We noted in two instances we have been unable to obtain evidence to support the floor area of an asset used in the valuation.
Potential effects	Asset valuations are materially misstated.
Recommendation	All asset valuations should be supported by evidence to confirm the floor areas used.
Management response	Internal records to be reviewed to ensure details are held centrally to support site and building plans for Council properties.

Description of deficiency	Property, plant and equipment – valuations We identified one asset which was incorrectly omitted from the in-year valuation.
Potential effects	Asset valuations are materially misstated.
Recommendation	All assets should be valued in line with the accounting policies. Reconciliations should be completed by the finance team to ensure all assets are captured.
Management response	Valuation schedules sent to valuer to be cross checked and reconciled internally to ensure details sent for valuation are accurate.



3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Our audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Our auditor’s report, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council operates an Executive with a Leader model, and this is governed by a Council Constitution including the normal features of an effective governance framework in local government.</p> <p>The Corporate Plan sets out priorities which include delivering affordable housing and promoting economic growth and development. Delivery is monitored in quarterly performance reports. New decisions are supported by reports that outline options and relevant considerations, including references to financial, legal and performance issues where appropriate.</p> <p>There is evidence of financial reporting being used to deliver strategic objectives, for example, through the Medium Term Financial Plan (MTFP) and in allocating resources to priority areas such as the Programme for Growth. In addition, regular financial reporting takes place, with formal reporting quarterly to the Executive.</p> <p>The Audit and Governance Committee met regularly during the year. The Audit and Governance Committee monitors the Council’s system of internal control. The Internal Audit plan has been delivered for the year and the Head of Internal Audit Opinion provided ‘moderate’ assurance. Internal Audit report directly to the Audit and Governance Committee. The Audit Committee receive regular reports tracking services progress in responding to Internal Audit recommendations. The Audit Committee challenges management to ensure recommendations are implemented and this is in a timely manner.</p>	Yes



3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The MTFP was approved by the Executive in February 2020. The plan set out the pressures faced by the Council in the coming year including demand and funding pressures. The plan included the need for savings over the medium term including £1.8m in 2020/21 financial year. When the plan was developed it was forecasting savings of £6.5m over the life of the plan. The plan was developed and agreed prior to the Covid-19 pandemic and before the full consequences could be foreseen. The Council is now revisiting the MTFP in light of Covid-19 and the anticipated economic effects. This includes consideration of the key expenditure and income assumptions and is understandably difficult given the significant levels of ongoing uncertainty. Our VFM conclusion considers the arrangements in place for the 2019/20 financial year and recognises that the consequences of the pandemic affect arrangements in the 2020/21 financial year.</p> <p>The 2019/20 outturn shows that this was a challenging financial year, with an overall revenue budget overspend of £363k. Income shortfalls across a number of areas contributed to a large proportion of the overspend. Planning service income was down £194k, the majority of which was a result of large applications not coming forward as anticipated. Recycling income was £90k lower than planned because the low rate received per tonne for recyclable materials no longer covered the costs of bulking. These pressures have been reported to the Executive throughout the year and mitigating actions put in place.</p> <p>In recent years the Council has benefitted from additional business rates income which is now around £9m per year largely arising from renewables at the Drax power station. The Council has prudently assumed that this is not guaranteed to continue and has set sums aside for investment, rather than using them to support the base budget, although there has been some investment in the capacity needed to manage the use of the additional funds.</p> <p>There has been progress on the Programme for Growth during 2019/20 with £1.9m project spend and further spend committed across a range of projects for 2020/21.</p>	Yes

Executive summary

Audit of the financial statements

Value for money conclusion

Other reporting responsibilities

Our fees

Forward look

3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	Unqualified
----------------------------	--------------------

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>The Council works with a range of third parties. The Better Together partnership with North Yorkshire County Council is a strong example. The effectiveness of the partnership was reviewed by the Executive during 2019/20, and the decision to extend the agreement to 2023 was made.</p> <p>The Council has procurement procedures in place and maintains a contracts register. The Council seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services.</p>	Yes



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below review threshold
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We have confirmed the Council are below the threshold, and will submit this information to the NAO once the Council have made their submission.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum which we presented to the Audit Committee in July 2020.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice	£34,425	£44,220*
Certification of Housing Benefit Subsidy Claim	£14,000	£14,000**

*Additional fee to meet the additional work requirements for property valuations and pensions.

** Subject to satisfactory completion of the work



6. FORWARD LOOK

Financial outlook

The Covid-19 pandemic and the consequences of local and regional lockdowns and restrictions will have a significant impact on the UK economy for years to come. The pandemic has created significant uncertainties and pressures in the Council's medium term financial planning arrangements. Clarity over the impact will only be obtained when the virus has been brought under control and the impact on the economy becomes clearer. The Council is monitoring and updating plans but is anticipating future pressures in the income it receives. In particular, Collection Fund income is likely to be affected by any negative impact to the local and national economy. Public spending is also likely to be tightly controlled as the Government begins to manage the levels of borrowing incurred.

There is also uncertainty stemming from the UK's new trading arrangements with the European Union. While this may not directly impact on the Council's supply chains, the impact on the overall economy may create indirect pressures.

It is critical that the Council continues to monitor and refresh its medium term plan so that potential funding shortfalls can be identified as early as possible and mitigations identified to minimise the impact on services.

Operational challenges

The Covid-19 pandemic has had a significant impact on the services provided by the Council. Services have either been suspended or redesigned in order for them to be delivered in a safe manner for officers and users. The Council's Civic Centre has been largely closed since March 2020 so officers have had to adapt to working from home. It is likely that these measures will continue until the roll out of a vaccine and coronavirus is brought under control.

Aside from Covid-19, other key challenges faced by the Council include:

- successfully generating the savings necessary to deliver the medium term financial plan;
- delivering the projects associated with the Programme for Growth

How we will work with the Council

In terms of the technical challenges around the production of the statement of accounts, we will continue to offer accounting workshops to finance officers, and the audit team will continue to share our knowledge of new accounting developments. We will also be on hand to discuss any issues as and when they arise.

Given the impact of Covid-19 on the 2019/20 reporting timetable, there is some uncertainty in respect of the 2020/21 completion dates. We will continue to work with the finance team to ensure timely completion of our audit work.

We will also share relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.



6. FORWARD LOOK

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are, however, significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources. Unlike under the 2015 Audit Code, however, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work on value for money arrangements will focus on three criteria, specified in the revised Audit Code:

- financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under the new Audit Code we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and the our view as to whether recommendations have been implemented satisfactorily.

The guidance supporting the new Audit Code is being developed by the National Audit Office and we will provide you with any further updates to our approach arising from this guidance when it is release. In particular we will communicate any increases in work which will impact on the audit fees charged.



6. FORWARD LOOK

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>



CONTACT

Mark Kirkham

Partner

07747 764 529

Mark.Kirkham@mazars.co.uk

Nicola Hallas

Manager

07881 283 559

Nicola.Hallas@mazars.co.uk

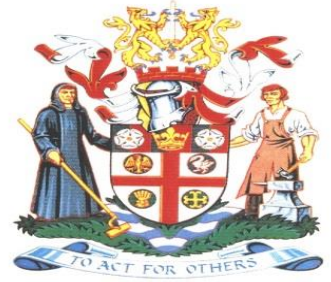
Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars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

*where permitted under applicable country laws

The contents of this document are confidential and not for distribution to anyone other than the recipients. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP

This page is intentionally left blank

Agenda Item 8



Report Reference Number: A/20/19

To: Audit and Governance Committee
Date: 27 January 2021
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Audit Progress Report

Summary:

The report from the external auditor, Mazars, is provided for the Audit and Governance Committee to consider.

Recommendations:

To consider the External Audit Progress Report.

Reasons for recommendation

The Audit and Governance Committee is required, in accordance with Part 3 of the Constitution, to consider reports of the external auditor and inspection agencies relating to the actions of the Council.

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and provides the Committee with a progress report in relation to the work and responsibilities of the external auditors.

2. The Report

2.1 The report is attached at Appendix A, which sets out a summary of external audit work completed to date on the 2019-20 financial statements.

2.2 The report also refers to recent national publications and highlights other relevant updates.

2.3 The Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

3. Legal/Financial Controls and other Policy matters

3.1 None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

Contact Officer:

Dawn Drury, Democratic Services Officer

Ext: 42065

ddrury@selby.gov.uk

Appendices:

Appendix A – External Audit Progress Report

Audit Progress Report

Selby District Council

Page 37
January 2021



1. Audit Progress
2. National Publications

Page 38

01

Section 01: **Audit Progress**

Audit Progress

Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

Since the last Committee meeting we have:

- completed our work on the 2019/20 financial statements, and issued an unqualified opinion;
- issued our 'follow-up letter' which concluded on all the areas of outstanding work at the time of the October 2020 Audit and Governance Committee; and
- issued our Annual Audit Letter (separate agenda item at this meeting).

02

Section 02: **National Publications**

National Publications

	Publication/update	Key points	Page
CIPFA			
1	Combating Financial Crime: Practical Advice for the Public Sector	Guide for public authorities on the latest money laundering regulations	7
National Audit Office			
2	Investigation into the Bounce Back Loan Scheme	Report into the Government scheme	8
MHCLG			
3a	The Redmond Review	Report from Sir Tony Redmond's review	9
3b	MHCLG response to the Redmond Review	A response from the MHCLG to the Redmond Review	10
HM Treasury			
4	Public Service Pensions: Guaranteed Minimum Pension Indexation Consultation	Consultation from HM Treasury	11
Government Actuary's Department			
5	Report on the impact of COVID-19 on public sector insurance	Report from GAD	12

NATIONAL PUBLICATIONS

CIPFA

1. Combating Financial Crime: Practical Advice for the Public Sector, September 2020

The latest UK Annual Fraud Indicator figures show that £40bn is lost to fraud. Moreover, the UK Government recognises that “tens of billions” of pounds are lost to money laundering.

While public authorities are not legally obliged to apply the provisions of money laundering regulations, it is recommended that they employ policies and procedures to deal with the growing threat of terrorist financing, money laundering and other financial crimes.

CIPFA have expanded their guide to explore the different financial crime types, their impact on public authorities in the UK and globally and the relevant legislative environment. This updated edition includes such customer due diligence procedures as checking the controls of onboarding new vendors, including determining the ultimate beneficial owner of a company. The guidance also covers the implications of financial crime for leadership teams of public authorities, providing practical advice and highlighting the recommendation of nominating a money laundering reporting officer.

<https://www.cipfa.org/policy-and-guidance/publications/c/combating-financial-crime-further-guidance-on-antimoney-laundering-for-public-service-organisations-2020-edition>

NATIONAL PUBLICATIONS

NATIONAL AUDIT OFFICE

2. Investigation into the Bounce Back Loan Scheme, October 2020

NAO has published its report on the Investigation into the Bounce Back Loan Scheme. This report is one of a series of NAO reports that looks at the Government's response to the COVID-19 pandemic. The report focuses on this particular Scheme, as it is the largest and most risky business loan support scheme. It also sets out:

- the Scheme development, aims, and management;
- details of the Scheme and its performance to date; and
- the main Scheme risks.

Some of the key findings from the report include:

- The Department for Business Energy & Industrial Strategy (BEIS) and the British Business Bank (the Bank) expect the Scheme to have lent between £38 billion to £48 billion by 4 November 2020, substantially more than it initially expected.
- As of 7 September, around 90% of the loans went to very small (micro) businesses located across the UK. Micro businesses (with turnover less than £632,000) received £29 billion and sole traders received £6 billion.
- The Bank was not able to prevent duplicate applications across lenders in the first month of the scheme.
- BEIS estimates that offering the loans interest-free for the first year will cost around £1 billion.
- The preliminary assessment is that the administrative costs of the three COVID-19 business loan support schemes will be £75 million by the end of 2024/25.
- The Government recognises that the decision to provide funds quickly leaves taxpayers exposed to a significant residual fraud risk, even after lenders have implemented mitigation strategies.

The report concludes that the Government moved very quickly to set up the scheme once it had decided to support small businesses facing cashflow problems due to the pandemic. The Government prioritised one aspect of value for money (payment speed) over almost all others and has been prepared to tolerate a potentially high level of losses as a result. The report also notes that systems and processes have evolved since the Scheme's launch but much hard work remains over the coming months and years to ensure that the risks to value for money are minimised..

<https://www.nao.org.uk/wp-content/uploads/2020/10/Investigation-into-the-Bounce-Back-Loan-Scheme.pdf>

NATIONAL PUBLICATIONS

MHCLG

3a. Redmond Review, September 2020

This independent review, led by Sir Tony Redmond at the invitation of the Ministry of Housing, Communities and Local Government, considered the effectiveness of external audit and transparency of financial reporting in local authorities.

Mazars welcomes the publication of Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. This report covers local audit regulation, procurement, auditor performance, governance, the scope of audit work and local authority financial reporting.

As a firm committed to working with public services and the communities they serve, we see this important report as an opportunity to strengthen the arrangements for local audit, thus improving confidence and transparency in public finances.

We are pleased to see the Review recognise the complexity and importance of public audit and that all parties – including external auditors, regulators, standard setters, local authorities and audit committees – have a role to play in its development and sustainability.

Amongst the recommendations arising from the Review are:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Secretary of State for Local Government.

Alongside the report, MHCLG have published a number of annexes.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

NATIONAL PUBLICATIONS

MHCLG

3b. Redmond Review – MHCLG Response, December 2020

The Ministry of Housing, Communities and Local Government published its response to the Redmond Review in December 2020. The MHCL response forms part of the department's post-legislative scrutiny assessments of parts 1 to 5 of the Local Audit and Accountability Act 2014.

The Redmond Review made 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts. MHCLG has grouped its response into 5 themes:

Page 46

- a. Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)
- b. Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)
- c. Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)
- d. Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)
- e. Action to further consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

NATIONAL PUBLICATIONS

HM Treasury

4. Public Service Pensions: Guaranteed Minimum Pension Indexation Consultation, October 2020

HM Treasury (HMT) has published its consultation on the Guaranteed Minimum Pension (GMP) Indexation for public service pensions. The Government is seeking views on how it proposes to ensure it continues to meet past commitments to public service employees regarding the full indexation of public service pensions, including any GMP element.

The options set out by HMT in the consultation document are:

Option 1a – the extension of full indexation to cover those reaching State Pension age up to and including 5 April 2024;

Option 1b – the extension of the interim solution to cover those reaching State Pension age beyond 5 April 2024; and

Option 2 – discount conversion as a long-term policy solution and make full GMP indexation the permanent solution for public service pension schemes.

The proposals will affect serving and former public sector employees from major workforces including; local government, the NHS, the police force and fire and rescue services.

The consultation closes on 30 December 2020 and the detailed publication including how to respond is available from the link below.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924807/02.10.2020_GMP_indexation_consultation_final.pdf

NATIONAL PUBLICATIONS

Government actuary's department

5. Report on the impact of COVID-19 on public sector insurance, October 2020

The Government Actuary's Department (GAD) has published its report on The impact of COVID-19 on public sector insurance.

The report notes that many public sector bodies, including local government, rely on commercial insurance to manage their risks. To investigate the impact of COVID-19 on the public sector's insurance risks, GAD conducted a short survey in July and August 2020, the aim of which was to understand the experiences of public sector bodies and share insights from these organisations to help them make sense of the changing insurance market. Respondents included local authorities, fire and police bodies.

GAD reported that the immediate impact varied considerably depending on the type of authority and mix of risks, with the outlook being gloomier and majority of respondents expecting their costs to increase in the medium term. The report also sets out the steps that authorities are taking to manage their costs..

http://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/921932/COVID-19_Insurance_Report.pdf

Contact

Mazars

Partner: Mark Kirkham

Mobile: 07747 764 529

Email: Mark.Kirkham@mazars.co.uk

Manager: Nicola Hallas

Mobile: 07881 283 559

Email: Nicola.Hallas@mazars.co.uk

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.

www.mazars.com

Follow us:

LinkedIn:

www.linkedin.com/company/Mazars

Twitter:

www.twitter.com/MazarsGroup

Facebook:

www.facebook.com/MazarsGroup

Instagram:

www.instagram.com/MazarsGroup

WeChat:

ID: Mazars

This page is intentionally left blank



Report Reference Number: A/20/20

To: Audit and Governance Committee
Date: 27 January 2021
Author: Connor Munro; Audit Manager – Veritau Group
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Review of the Risk Management Strategy

Summary:

The report presents to Councillors the reviewed Risk Management Strategy following consultation with the Leadership Team. It was last brought to the Audit and Governance committee in January 2020.

Recommendation:

To note the revisions to the Risk Management Strategy.

Reasons for recommendation:

The Audit and Governance Committee has responsibility for overseeing the implementation of an effective risk management framework and reviewing the effectiveness of risk management.

1. Introduction and background

1.1 This report and document sets out a strategy for managing risk within Selby District Council.

2. The Report

2.1 The primary objectives of the strategy are to:

- Ensure risk management is part of all decision-making processes and that it is embedded through ownership, both at officer and Councillor level;
- To integrate risk management into the day-to-day activities of the Council;
- Manage risk in accordance with best practice and in response to changes in the internal and external environment;
- Create and maintain effective processes that will allow the Council to produce risk management assurance statements annually.

- 2.2 The content of the strategy remains largely unchanged following the review. However, two amendments have been made to its structure. The first is that the text relating to critical links between the strategy and wider business processes has been moved to the section on corporate planning. The second is that the table showing the recurring actions undertaken in support of the strategy has been given its own section in recognition of their importance to the successful achievement of risk management objectives. These changes have been made so as to improve readability of the strategy and to better connect related elements and concepts.
- 2.3 Where any changes have been made to the text these have been highlighted as tracked changes in the attached Appendix 1. This includes the change made to the introduction to the strategy where the Council's refreshed strategic priorities from its 2020 – 2030 plan have been included.
- 2.4 Clearly 2020 was an exceptionally challenging year, not just for Selby District Council and wider local government but for almost all sectors and industries. Professional bodies such as the Institute of Risk Management, CIPFA, and the Institute of Internal Auditors have already started to reflect on the role that risk management has played, and ought to play, in ensuring the continued success of organisations. The Council will continue to work alongside Veritau to ensure that any learning from the events of 2020 and beyond is factored into future strategy-setting and to ensure that the Council's risk management arrangements continue to meet good practice.

3. Implications

- 3.1 There are no legal, financial, policy and risk, corporate plan, resource or other implications from this report.

4. Conclusion

- 4.1 The revised strategy will help to ensure that risk management arrangements are in line with best practice and embedded into the Council's processes and procedures.

5. Background Documents

Risk Management Strategy – January 2020

Contact Officer:

Connor Munro, Audit Manager – Veritau Group
connor.munro@veritau.co.uk

Richard Smith; Deputy Head of Internal Audit – Veritau Group
richard.smith@veritau.co.uk

Appendices:

Appendix 1 - Risk Management Strategy – January 2021.

This page is intentionally left blank



Risk Management Strategy

2021

CONTENTS

1. Introduction	2
2. What is risk management?	3
3. Why do we need a risk management strategy?	3
4. What are the benefits of risk management?.....	4
5. What is the risk management process?	5
6. Risk management linking into corporate planning	6
7. Risk management strategy for Selby	7
8. Risk culture	7
9. Business culture (commercial development).....	7
10. Partnership working.....	8
11. Movement of risks between service based risk registers and the corporate risk register ...	8
12. Risk management in our decision making.....	8
13. Monitoring of risk trends	9
14. Achieving the objectives of the risk management strategy	9
15. Annual review of the risk management strategy	10
Appendix 1: Risk management methodology	11
Appendix 2: Categories of risk.....	14
Appendix 3: Roles and responsibilities.....	15

1. Introduction

This document sets out a strategy for managing risk within Selby District Council. To ensure that the strategy remains focused and in keeping with the overall aims and objectives of the Council, there is a need to review it on an annual basis. As such this document has been reviewed in December 2020.

Sound risk management, when embedded, achieves many benefits. These include assisting in setting priorities (by focusing on key risks), service planning and demonstrating to stakeholders and inspectors that the Council is continuously improving by managing areas of key concern at all levels.

The challenge is to effectively manage risk without significantly increasing workloads. This is achieved by ensuring risk management is part of existing processes rather than treating it as a separate function.

The objectives of the strategy are to:-

- Ensure risk management is part of all decision-making processes and that it is embedded through ownership, both at officer and Councillor level;
- To integrate risk management into the day to day activities of the Council;
- Manage risk in accordance with best practice and in response to changes in the internal and external environment;
- Create and maintain effective processes that will allow the Council to produce risk management assurance statements annually.

As with all business activities, when practicing risk management it is essential that the council's corporate priorities are considered at all times. The Council has ambitions to make the district a **great place to live**, a **great place to enjoy**, a **great place to grow**, with a Council **delivering great value**.

2. What is risk management?

Risk management and risk have been defined by the Institute of Internal Auditors (IIA) as:

Risk management is a process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives. Risk can be defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.'

Risk management is a strategic tool and is an essential part of effective and efficient management and planning. As a strategic tool, risk management identifies those issues that will act as a barrier to the Council achieving its objectives. Appendix 2 to this document sets out the main areas of risk.

The organisation's approach is to be **risk aware** rather than **risk averse** and to manage risk rather than to seek to eliminate it in all cases.

There are two types of risk:-

- **Direct threats** (damaging events) which could lead to a failure to achieve objectives.
- **Opportunities** (constructive events) which, if exploited, could offer an improved way of achieving objectives but which are surrounded by threats.

3. Why do we need a risk management strategy?

There are two reasons why risk management is undertaken and a strategy is put in place to ensure that risk management is embedded within the decision-making framework.

Firstly, risk management is about identifying those situations that will prevent organisations from being successful in achieving their corporate and service-

based objectives, as well as successfully completing projects. If these situations are effectively managed then the organisation is more likely to achieve its objectives. Risk management is good management and should be incorporated in all decision-making. However, risk management is not only about managing risk but also about identifying opportunities. By understanding the risks and rewards that those opportunities may create, the organisation will be in a position to make informed decisions commensurate with its risk appetite. Should the organisation decide to accept a level of risk, where this cannot be fully mitigated, the organisation should be prepared for unfavourable outcomes.

The second reason is that risk management is also an essential part of the Annual Governance Statement. The Annual Governance Statement comments on the Council's position in relation to risk management, corporate governance and internal control. This strategy underpins the approach to risk management in the Council.

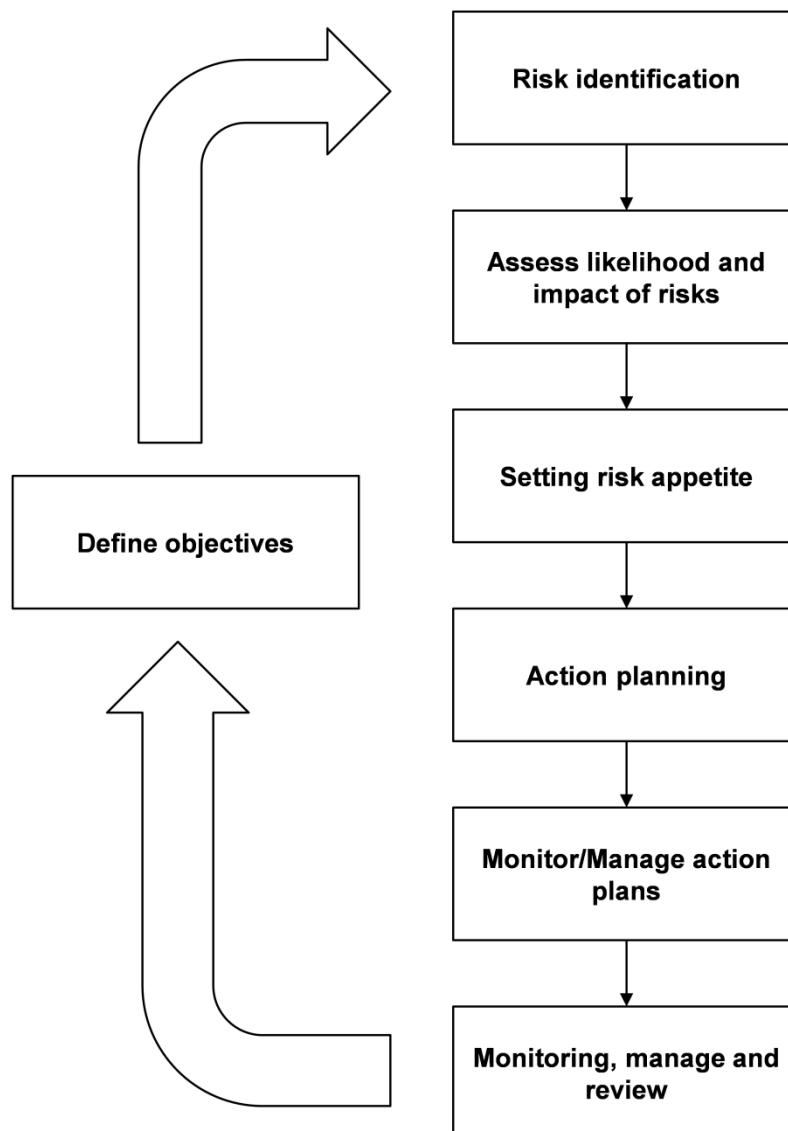
4. What are the benefits of risk management?

- Increased likelihood of achieving objectives by identifying the barriers to achievement – improved strategic management;
- Become less risk averse in innovation (because you understand) and hence are more innovative;
- Improved business planning and commercial awareness through a risk-based decision making process;
- Improved operational management;
- Improved customer service;
- Enhanced performance – feeds into performance management framework;
- Focus on doing what matters to make a difference.
- Providing assurance of demonstrable improvement;
- Better governance and demonstration of it to stakeholders;
- Understanding and being prepared for incidents when they occur.

5. What is the risk management process?

Implementing this strategy involves identifying, analysing, managing and monitoring risks. Risk management is a **continuous** process, which involves continual **identification, assessment and management** of the risks faced by the Council.

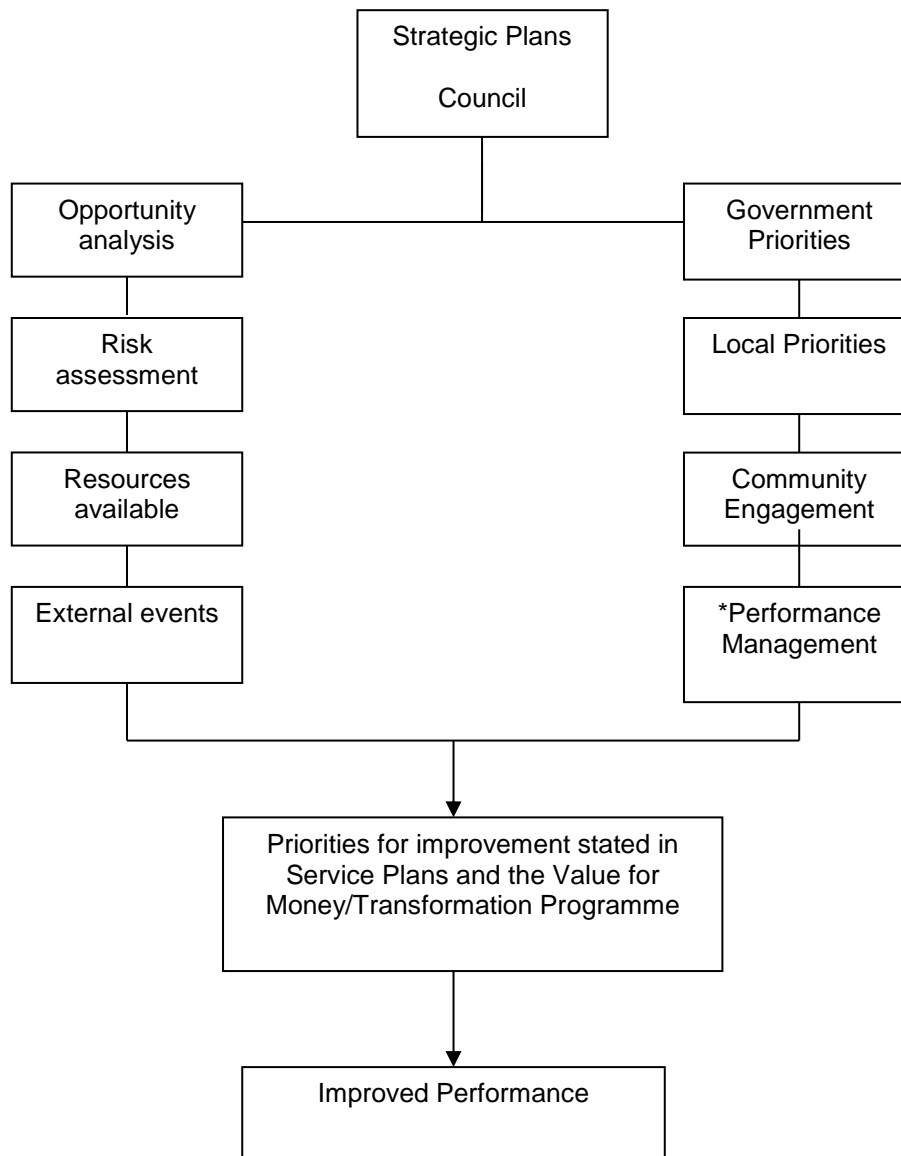
Figure 1: The Risk Management Process



6. Risk management linking into corporate planning

The information resulting from the risk management process acts as one of eight key pieces of information that feed into the priorities of the Council.

Figure 2: Risk Management linking into priority setting



*Risk management and performance management share similarities in process and purpose and should be integrated to ensure that the other is operating effectively. The information generated through the performance management process at both the corporate and service level should be considered when scoring and updating risks so that only the most up-to-date information is used.

In summary, the Risk Management Strategy has critical links to the Council's:

- strategic objectives;

- governance arrangements;
- community focus;
- organisational structures and processes;
- standards of conduct;
- service delivery arrangements;
- medium term financial strategy;
- Annual Governance Statement.

7. Risk management strategy for Selby

The success of risk management depends on how well it links into existing processes. This strategy recognises the three main types of risk management undertaken within local government, namely:-

- Corporate Risk Management: those risks that have major consequences for the Council in achieving its overall goals.
- Service-Based Risk Management: those risks that impact on delivery of services including welfare issues, health and safety and asset management issues.
- Partnership and Project-Based Risk Management: those risks that impact on the delivery of partnerships, projects and major items of change management.

8. Risk culture

Selby District Council aims to be open in its approach to managing risk and will seek to avoid a blame culture. The organisation is willing to take a measured risk in order to promote innovation and to take advantage of operating in a more business-like manner. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.

9. Business culture (commercial development)

The Council is required to adopt a more business-like outlook in some service areas. This may mean taking measured risks in order to drive the business

forward. These are undertaken with a full understanding of the potential consequences and an alternative plan having been developed, should undesirable consequences occur. The Council therefore is clear to identify and measure risks associated with business decisions and to eliminate or control risks associated with business decisions.

10. Partnership working

The Council recognises both the benefits and the risks of partnerships and joint working. It seeks to manage these risks through agreeing partnership objectives, procurement arrangements, contracts and other agreements that identify and allocate risks to the relevant partners. To minimise the likelihood and impact of a significant failure in its partnerships, the Council encourages its partners to demonstrate that they have effective risk management arrangements in place and to disclose those arrangements when entering into partnership.

11. Movement of risks between service based risk registers and the corporate risk register

The Council acknowledges that the review of Service Based Risk Registers may identify a risk that could have a significant impact on the Council. When identified, there needs to be a clear process by which the risk is assessed to ensure that it meets the criteria for inclusion onto the Corporate Risk Register. This process is carried out by the Extended Leadership Team (ELT). Reviews of the Service Based Risk Registers are timetabled to ensure that any emerging risks are taken into account when the Corporate Risk Registers are reviewed.

12. Risk management in our decision making

For risk management to be effective it needs to be considered in the decision making activities of the Council. Risks are articulated within the officer reports, including an assessment of risks associated with any recommendation being made. Formal consideration of risks is recorded within the Council's reporting templates.

13. Monitoring of risk trends

The Council's exposure to risk over time is subject to change as its internal and external environments change. It is imperative that changes in risk scores (and thus the risk 'trend') are kept under review so it can be ensured that appropriate risk treatment measures are in place and in order to make a determination as to whether these measures are functioning effectively. To facilitate this process, in reviewing the Corporate Risk Register, senior officers and Councillors will consider the direction of change in risk since the last assessment was undertaken.

14. Achieving the objectives of the risk management strategy

The objectives of the strategy will be achieved by:

Ref.	Action	Lead
1	Maintaining an up-to-date Risk Management Strategy.	Internal Audit/Chief Finance Officer (Officer Risk Champion)
2	Providing practical guidance to staff and Councillors.	Internal Audit
3	Including consideration of risk management within Service Plans.	Directors/ Heads of Service
4	Including risk management assessments in Committee reports.	Directors/ Heads of Service
5	Including risk management within financial procedure rules.	Chief Finance Officer (Officer Risk Champion)
6	Allocating specific responsibilities for risk to officers throughout the organisation.	Directors/Heads of Service
7	Appointing a Councillor Risk 'Champion'.	Audit & Governance Committee - Chair
8	Supporting the work of the Councillor Risk Champion.	Internal Audit/ Chief Finance Officer (Officer Risk Champion)
9	Review of risk management arrangements as part of the review of internal controls.	Internal Audit
10	Annual report to the Audit & Governance Committee reviewing the risk management process. Bi-annually to the Audit & Governance Committee on review of the Risk Registers	Internal Audit
11	Maintaining contingency plans in areas where	Directors/ Heads of

	there is potential for risk to the business capability.	Service
12	Improving the integration between performance management and risk management.	Directors/ Heads of Service
13	Providing risk management awareness training for Councillors and officers.	Internal Audit
14	Statement on risk management to be included in the Annual Governance Statement which forms part of the Statement of Accounts of the Council.	Internal Audit
15	Challenging the progress being made on the action plans relating to risk.	Audit & Governance Committee

15. Annual review of the risk management strategy

The Leadership Team (LT) will annually review the Council's risk management strategy in light of changing legislation, government initiatives, best practice and experience gained in adopting the strategy. Any amendments will be recommended by LT for approval by Councillors.

Risk management methodology**Appendix 1**

Implementing the strategy involves identifying, analysing, managing and monitoring risks.

Stage 1 – Identification, analysis, profiling and prioritisation of risks**Identifying the risks**

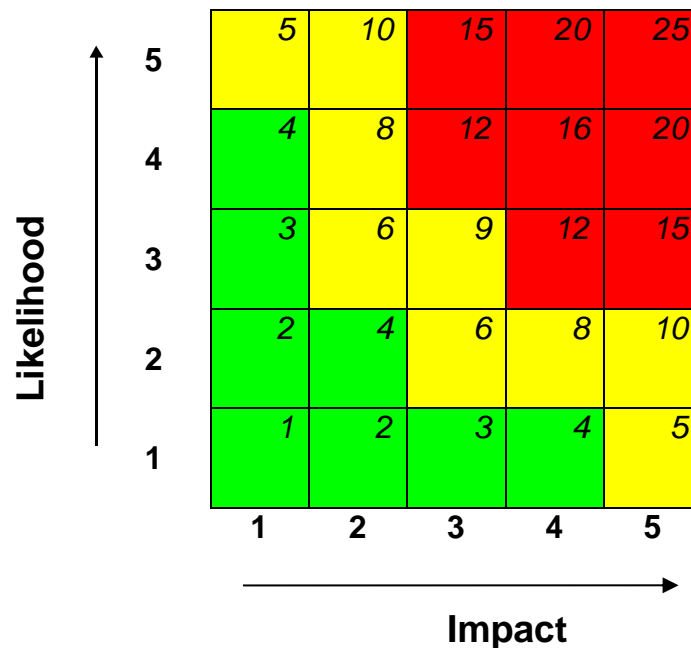
There are different methods to identify risks. Workshops and drop in sessions are facilitated for managers which encourage officers to share their concerns, problems and potential risks that they foresee. A review of published information such as service plans, strategies, financial accounts, media mentions, professional periodicals and inspectorate and audit reports are a useful source of information in the identification process.

When identifying risks the categories of possible risk areas presented in Appendix 2 should be used. They will act as a prompt and as a trigger for officers involved in the process. They will also ensure that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks.

Analysis, risk profiling and prioritisation

Following identification, the risks need to be entered onto the Risk Register(s) on the performance management system (Pentana) and evaluated. Risk Owners will review the risks identified and decide their ranking according to the likelihood of the risk occurring and its impact, should it occur. A matrix is used to plot the risks and, once completed, this risk profile clearly illustrates the priority.

Although the risk profile produces a priority for addressing each risk, determining the Council's appetite for risk can enhance this. All risks above the risk appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk will be determined by management. The risk profile used and risk scoring key are shown below:



Score	Likelihood	Score	Impact
1	Very Low	1	Negligible
2	Low	2	Marginal
3	Significant	3	Medium
4	High	4	Critical
5	Very High	5	Catastrophic

Using Pentana to manage and monitor risk allows the risks to be linked to projects, service plan actions and performance indicators.

Risks are then categorised as 'high (12-25)', 'medium (5-10)' or 'low (1-4)'.
Risks falling within the high category require mitigating action.

Stage 2 - Action Planning

The potential for controlling the risks identified will be addressed through the management action plans. Most risks are capable of being managed – either through mitigation planning (managing down the likelihood), contingency planning (managing the impact) or a mixture of both. Relatively few risks have to be avoided or transferred, although there will be a greater tendency to transfer (insure) risks that have a high impact, but a low likelihood. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/key performance indicators.

A formal action plan is required for all high risks identified (at the original risk stage). The action plan should clearly identify the mitigating actions and controls in place to reduce the original risk.

Action plans should not be seen as a separate initiative but should be incorporated into the business planning process and included and linked to service plans on Pentana. The plans should be appropriate to the level of risk identified.

When prioritising risks, those located in the upper right of the risk profile are the priority risks to be managed. The risk scores can then guide the next level of priorities.

Stage 3 Management of risks

All risks are managed by the senior officers and managers. Each risk has an identified owner and it is their responsibility to ensure that the corporate system (Pentana) is updated at regular intervals and in line with reporting timetables. They should also ensure that the corresponding mitigating action plans and controls are revised on the system as and when required.

Categories of risk

Appendix 2

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifesto commitment	New political arrangements, political personalities, political make-up
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures	E-Gov. agenda, IT infrastructure, Staff/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, TUPE regulations etc.
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budgeting, level of council tax & reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Office issues, stress, equipment use etc.
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Position in league tables, accreditation
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

Roles and responsibilities**Appendix 3****The Executive**

The Executive should understand risks as presented to them through officer reports when making decisions. They should ensure that there is an appropriate consideration of risk in relation to the decision making process and that any decisions made clearly articulate the Council's risk appetite.

Audit and Governance Committee

Councillors have the role of overseeing the effective management of risk by officers. In effect this means that they will agree the Strategy, framework and process put forward by officers – as well as the priorities for action. They will also review the effectiveness of risk management. They may also be involved in providing reports to stakeholders on the effectiveness of the risk management framework, strategy and process. Councillors are ultimately responsible for risk management because the risks threaten the achievement of policy objectives.

Leadership Team

The Leadership Team are pivotal to the risk management process as they set the risk appetite for the organisation through the projects, initiatives and cross cutting activities that they endorse and champion.

Officer Risk Champion

The Officer Risk Champion (Chief Finance Officer) is responsible for the implementation of the integrated framework, strategy and process on behalf of the Council and its Leadership Team. The champion, assisted by Internal Audit, is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice.

Supporting Services

Other support functions, e.g. finance, human resources, health and safety, legal, IT, will also have a role in providing support and advice.

Senior Officers

Heads of Service and Lead Officers are responsible for managing Business Plan (Strategic) Risks, Service Plan Risks, Partnership and Project Risk and ensuring that risk activity and targets are achieved and updated on a timely basis.

The Council - Partners

The Council works with a wide range of partners in delivering its services. It is important that those partners are brought into the risk management framework. At times it will be appropriate for partnerships and shared services to be undertaken. However, it is essential that accountabilities are adequately defined and that the Council does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, for example under a PFI, there will undoubtedly be some residual risks falling on the authority. It is not possible to outsource the risk management process.

Internal Audit

As well as providing the Risk Management Facilitation service documented above, the Internal Audit function provides independent assurance on the effectiveness of controls within the Council. As part of the production and presentation of the annual 'audit opinion' on the risk and internal control framework to the Audit & Governance Committee, Internal Audit comments on the appropriateness of the risk management process within the Council; as well as identifying areas of low assurance and associated actions required.

All employees and Councillors

The management of risk should be regarded by employees (at all levels) and Councillors as one of their fundamental duties. All employees and Councillors have a responsibility to understand the Council's strategy and appetite to risk management, as well as reporting any actions that the Council should take to mitigate any adverse consequences.

The Importance of an Integrated Approach

In essence, the framework detailed above should provide a consistent, integrated top-down meets bottom-up approach to risk management – embedding it into strategy and operations. Risk management must continue to be integrated and play a key role in the decision making process in the future.



Report Reference Number: A/20/21

To: Audit and Governance Committee
Date: 27 January 2021
Author: Connor Munro; Audit Manager – Veritau Group
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Corporate Risk Register 2020-21

Summary:

The report updates Councillors on movements within the Corporate Risk Register (Appendix A) for the Council, which was last reported to this committee in July 2020.

Recommendation:

To note the current status of the Corporate Risk Register.

Reasons for recommendation:

The Audit and Governance Committee has responsibility for overseeing the implementation of an effective risk management framework and reviewing the effectiveness of risk management.

1. Introduction and background

1.1 This report updates Councillors on the actions taken by the Council to manage the corporate risks it faces.

2. The Report

2.1 Risks are recorded and reported through the Pentana Risk system. Appendix A shows details of the corporate risks currently included in the system. The following information is included:

- Title of the risk
- Risk description
- Individual risk scores
- Risk owner: identifies the officer responsible for monitoring the risk. This is a member of the Leadership Team
- Causes of the risk identified
- Consequences of the risk identified

- Controls and mitigating actions in place: identifies the required management action and controls which have been put in place to manage the risk. In line with the Risk Management Strategy, only risks with a current score of 12 or over require a formal action plan
 - Original risk rating: identifies the risk level before any treatment
 - Current risk rating: identifies the level at which the risk has currently been assessed, based on the likelihood and impact
 - Target risk rating: identifies the risk level the Council is working towards
- 2.2 Responsibility for reviewing and updating the risk register lies with Council officers. Whilst Veritau facilitates the risk management process by offering challenge and support it retains its independence and objectivity as it is not part of the risk management process (i.e. it does not assess or score risks nor does it operate controls or implement mitigating actions).
- 2.3 For the risks identified on the Corporate Risk Register there are controls or mitigating actions in place to manage these risks which are, and need to be, closely monitored on an ongoing basis.
- 2.4 The risks were assessed and updated by officers in December 2020 and January 2021.
- 2.5 There are 11 risks on the Council's Corporate Risk Register for 2020-2021, with the No Deal Brexit risk having been removed following the UK's exit from the EU and the signing of the EU-UK Trade and Cooperation Agreement. Brexit-related risks, issues and opportunities will continue to be monitored by the Council. If the risk exposure significantly changes, escalation mechanisms within the Council's risk management framework will ensure that this is managed at the appropriate level.
- 2.6 The Corporate Risk Register includes 4 risks with a score of 12 or more (high risk). With the exception of the No Deal Brexit risk, no risk scores have changed. No new risks have been added to the register since it was previously reported to this committee in July 2020.

3. Implications

- 3.1 There are no legal, financial, policy & risk, corporate plan, resource or other implications from this report.

4. Conclusion

- 4.1 The risks on the Corporate Risk Register continue to be closely monitored and action plans have been developed, or are in the process of being developed, for all risks requiring active management.

5. Background Documents

Risk Management Strategy

Contact Officer:

Connor Munro - Audit Manager – Veritau Group

connor.munro@veritau.co.uk

Richard Smith - Deputy Head of Internal Audit - Veritau Group

richard.smith@veritau.co.uk




Appendices:

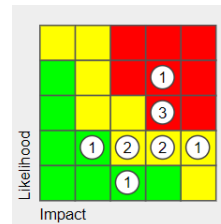
Appendix A – Corporate Risk Register, January 2021






This page is intentionally left blank

Selby District Council Corporate Risk Register 2021-2023











Overview: January 2021


Risk Status	
	High Risk
	Medium Risk
	Low Risk




Status	Code	Previous Risk Score (July 2020)	Current Risk Score	Trend	Title
	SDC_CRR_003	16	16		Financial Resources
	SDC_CRR_000	12	12		Failure to deliver corporate priorities
	SDC_CRR_004	12	12		Organisational Capacity
	SDC_CRR_008	12	12		Economic Environment
	SDC_CRR_002	10	10		Health and Safety Compliance
	SDC_CRR_006	8	8		Managing Customer Expectations

Page 77

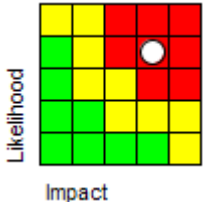
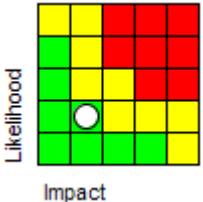
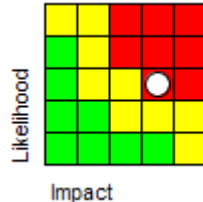
Status	Code	Previous Risk Score (July 2020)	Current Risk Score	Trend	Title
	SDC_CRR_007	8	8		Fraud & Corruption
	SDC_CRR_014	6	6		Systems and Technology
	SDC_CRR_017	6	6		Managing Partnerships
	SDC_CRR_013	4	4		Information Governance/Data Protection
	SDC_CRR_001	3	3		Failure in corporate governance arrangements


Status	Risk Score	Risk Title	Description	Risk Owner
	16	Financial Resources	The Council's financial position is not sustainable beyond 2021.	Chief Finance Officer
Page 79	Causes	<ul style="list-style-type: none"> • Unforeseen financial pressures as a result of Covid-19 • Poor financial planning • Funding cuts/ Investment Strategy • Non-delivery of savings • Poor spending • Poor decisions • Partnership contract (goes awry) • Fair Funding Review (demonstrate why costs) • Over commitment (i.e. Northamptonshire) • Economic - high inflation/increased demand • Loss of control in service delivery • Political environment changes 	Consequences	<ul style="list-style-type: none"> • Unable to deliver its Corporate Plan ambitions and Statutory functions • Unable to meet financial commitments (long/medium/short term) • Unable to set a balanced budget as required by legislation. • Central Government intervention • Forced to make unplanned service reductions which impact on residents and businesses. • Significant reputational and political change.
	Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Financial support provided by central government • Long term financial strategies (GF & HRA) setting out high level resources and commitments and owned by Council members. • 3 year budget underpinned by reasonable assumptions (inflation, interest rates etc). • Effective in year budget management arrangements in place. • Savings plan approved with supporting delivery plans for each saving. • Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases. 		

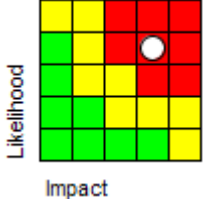
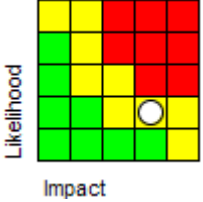
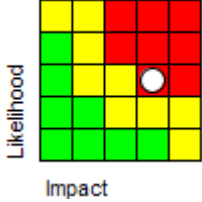
Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
<p>20</p>	<p>9</p>	<p>16</p>
Notes		Review Date
<p>Risk remains at 4/4 as the impacts of the Covid-19 pandemic continue. Whilst Government funding has been received it does not cover the full cost/income losses and organisational capacity to deliver transformational savings and efficiency is diverted to the response.</p> <p>Revised budget 20/21 has been approved although in year monitoring shows that cost and income pressures continue and emerging service pressures particularly in leisure related services are still being assessed.</p> <p>A draft budget for 21/22 has been prepared and is currently out to public consultation. Additional one-off grants will provide support but the longer term is very much dependent upon the awaited reviews of local government funding and business rates.</p> <p>Renewable energy business rates are proposed to be set aside in reserve to support the on-going revenue pressures whilst savings plans are deferred. The level of future savings will be reassessed following a clearer view of future funding.</p> <p>Accordingly reserves will be applied in the short/medium term.</p>		<p>January 2021</p>


Status	Risk Score	Risk Title	Description	Risk Owner
	12	Failure to deliver corporate priorities	The Council fails to deliver its corporate priorities as set out and approved by Councillors.	Chief Executive
Causes		<ul style="list-style-type: none"> Lack of prioritisation Priorities not reflected in service plans Windfalls re direct priorities Political and/or external factors Capacity/single point of failure Lack of clarity over corporate priorities 	Consequences	<ul style="list-style-type: none"> Poor performance - impacting on residents Poor reputation - residents and partners Political instability Staff morale decreased Missed opportunities for funding Partnership not fulfilled
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> New Council Plan 2020/30 approved December 2019; Clear priorities – cascaded via PDRs/1:1s Shared with wider workforce via Staff Briefings Corporate Comms Plan in place. Delivery via service plans – currently being drafted by Heads of Service in conjunction with employees Monitoring via Leadership Team as programme board Executive oversight through quarterly corporate performance monitoring (also subject to quarterly Scrutiny) 		

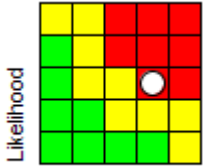

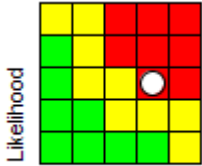
Page 81

Risk Assessments			
Original Risk Rating	Target Risk Rating	Current Risk Rating	
 <p>16</p>	 <p>4</p>	 <p>12</p>	
Notes			Review Date
<p>Risk reviewed, score remains the same.</p> <p>Whilst the in year budget review and approval of the Council Delivery Plan will help mitigate the likelihood, the Covid-19 pandemic continues - with a new strain causing an increase in cases - and the uncertainty of local government reorganisation means the likelihood remains at significant.</p>			January 2021

Status	Risk Score	Risk Title	Description		Risk Owner
	12	Organisational Capacity	Lack of organisational capacity and resilience to effectively deliver agreed outcomes and objectives for now and for the future.		Director of Corporate Services and Commissioning
Causes		<ul style="list-style-type: none"> • Loss of staff • Pay scales • Skills • Wrong structure • Succession planning • Motivation • Culture • Poor leadership • Ineffective management • Failure to prioritise 	Consequences	<ul style="list-style-type: none"> • Increased cost of delivery • High churn • Slowing pace • Loss of talent • Poor delivery of priorities • Impact on reputation • Political frustrations • Failure to deliver outcomes • Low resident satisfaction • Loss of confidence from partners and businesses • Staff stress and dissatisfaction • Poor services 	
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Organisational review resulting in the right people in the right posts doing the right things, doing them well and funded on a sustainable footing. • Working with partners to lever capacity and expertise – e.g. Better Together. • Utilising Programme for Growth to secure short/medium term capacity to deliver Council priorities – e.g. Economic Development function. • Assessment and review processes (e.g. Peer Challenge; Staff Survey; IIP Assessment) in place. • Organisational Development Strategy (People Plan) and Action Plan • Secure sufficient HR/OD capacity/resources to deliver. 			

Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
 <p>16</p>	 <p>8</p>	 <p>12</p>
Notes		Review Date
<p>risk reviewed, likelihood remains 'significant' due to:</p> <ul style="list-style-type: none"> • Covid-19 pandemic - back in lockdown, increasing cases in the district, new faster spreading variant - risks to staff capacity in short term • Potential impact of LGR-related uncertainty - on morale, recruitment and retention and staff capacity <p>Progress since last review includes:</p> <ul style="list-style-type: none"> • approval of revised budget for 2020/21 • approval of Council Delivery Plan • reduction in service backlogs following first Covid lockdown • approval of P4G staffing resources • reduction in short/fixed term contracts • People Plan learning & development programme developed 		<p>January 2021</p>


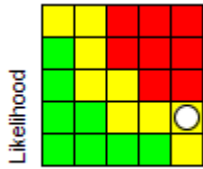
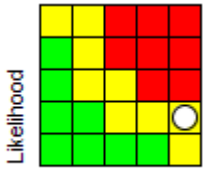
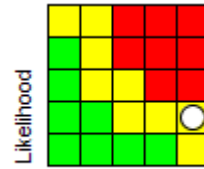
Status	Risk Score	Risk Title	Description	Risk Owner
	12	Economic Environment	Poor net economic growth.	Director of Economic Regeneration and Place
Causes	<ul style="list-style-type: none"> • Selby District has performed well across a range of economic measures in recent times including low unemployment, high skills levels, significant business investment and increased levels of employment. • However, the Covid-19 lockdown has had a significant and unprecedented impact on global, national, regional and the local economy and the full impact has yet to be realised. • The impact of leaving the EU is also a cause of uncertainty for businesses. 		Consequences	<ul style="list-style-type: none"> • Significant negative impact of Covid-19 lockdown on existing businesses in the district • Impact on reputation and willingness by business to engage • Inward investment reduces • Higher unemployment • Decrease in new employment opportunities • Potential negative impact on business rates income. • Increased demand for economic development and wider Council support services e.g. debt support • Increased demand for interventions to stimulate economic growth.
Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Reviewed the Council Plan to ensure economic recovery is front and centre in the delivery priorities for the next 3 years – including a strong focus on key projects such as the Town Centre Action Plans, Selby Town HAZ, Selby Station TCF and district wider support for businesses. • Proactive engagement with YNY and LCR LEPs to influence economic growth programmes and the ensure Selby District priorities are captured in their respective Economic Recovery Plans. • Strong focus on Town Centre and High Street Recovery with clear Action Plans being developed for each centre and a bid made to the government’s Re-opening High Streets Safely Fund. • Appointed to vacant posts in the Economic Development & Regeneration service to allow the Council to take a proactive approach • Continued promotion of Selby District as being open for business and a great place to invest and locate. • Detailed engagement with key businesses to understand future challenges and opportunities to identify where the Council can provide additional support including proactive support with small business grants, Federation of Small Businesses Membership and a detailed survey of local businesses to shape where our interventions are most needed. • Engagement with key partners to influence investment programmes and decisions e.g. working jointly with NYCC and the YNY LEP to successfully bid to the governments ‘shovel ready’ programme to aide Covid recovery; helping to shape the draft YNY Devo Deal. 			


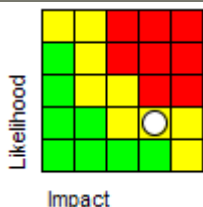
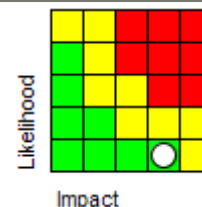
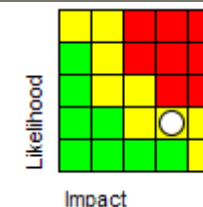
Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
 <p style="text-align: center;">12</p>	 <p style="text-align: center;">4</p>	 <p style="text-align: center;">12</p>
Notes		Review Date
<p>Overall risk score remains the same.</p> <p>The Council has over the last few years been working hard with partners and developers to stimulate local economic activity and there are strong positives in terms of job growth and house building with new opportunities and investment taking place such as Create Yorkshire at Church Fenton, development at Sherburn2, Kellingley phase 1, Eggborough Power Station redevelopment, and investment in Drax Power Station. The Council is actively promoting the regeneration and improvement of our town centres and places through bids for funding such as the TCF bid for Selby Station and the successful High Streets HAZ bid and joint work with NYCC on Local Cycling & Walking Infrastructure Plans for each town.</p> <p>Although growth has been significant in the district in recent years, inward investment into the region (apart from Leeds) had started to slow significantly in the last year as the risks and uncertainties around the impact of Brexit played out. This is outside our control but already had the potential to damage investor confidence and growth in the District. We have been doing all we can to manage this risk by ensuring Selby district is seen as a great place to do business and by proactively promoting it as a great place to invest and to exploit any new opportunities that may arise including the governments focus on towns and the North.</p> <p>However, the ongoing Covid 19 public health crisis and continuing lockdowns has had a significant and unprecedented impact on global, national, regional and local economies and the full impact has yet to be realised. We continue to monitor the situation and be very proactive in providing immediate support to businesses in need through both government and local programmes of support. The mitigating actions we have put in place to address this have been outlined above, but to summarise these are:</p> <ul style="list-style-type: none"> • Provided business rate relief to many businesses and allocated over £14m?? of funding to businesses through the various business support grants made available by the government • Reviewed the Council Plan to ensure Covid economic recovery is front and centre in the delivery priorities for the next 3 years • Proactive engagement with YNY and LCR LEPs to ensure their respective Economic Recovery Plans support the district. • A Strong focus on Town Centre and High Street Recovery through Action Plans for each centre and a bid to the Re-opening High 		<p>January 2021</p>

Streets Safely Fund.

- Appointed to vacant posts in the Economic Development & Regeneration service
- Continued promotion of Selby District as being open for business and a great place to invest and locate - major employment schemes at Sherburn 2, the former Eggborough Power Station and Kellingley Colliery are now progressing well and have the potential to create 1000's on new jobs.
- Detailed engagement with key businesses to understand future challenges and opportunities
- Engagement with key partners to influence investment programmes and decisions e.g. 'shovel ready' bids to government and draft Devo deal which has now been submitted to government.

As we enter 2021 and the third national lockdown it is clear that the economic impacts of this global pandemic will be felt for years to come. As well as the significant economic challenges we will work hard to capitalise on new opportunities. The Government have launched its Green Recovery Plan and has announced a £4bn Levelling up Fund to support infrastructure investments and these both offer potential opportunities for new investment in the district. Drax's pioneering proposals for carbon capture storage and use have the potential to support up to 49,000 new jobs with significant opportunities for Selby District, North Yorkshire and the Humber. We have also formally left the EU and the economic impacts of that will need to be carefully monitored but there are likely to be short term disruptions as a minimum as new arrangements are embedded.

Status	Risk Score	Risk Title	Description	Risk Owner
	10	Health and Safety Compliance	Failure to comply with Health and safety legislation.	Head of Operational Services
Causes		<ul style="list-style-type: none"> • Incident involving a member of staff, visitor or member of the public • Incident involving council property or on council owned land. • HSE or third-party investigation. • Non-compliance with Health and Safety legislation. • Non-compliance with govt guidance for Covid secure 	Consequences	<ul style="list-style-type: none"> • Actual or potential injury or loss of life. • Environmental degradation. • Financial loss / impact on value of assets. • Reputational damage. • Covid outbreak / loss of staff and reputational damage
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Health and Safety Policy and Plan has been reviewed and is in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous. • Health and safety due diligence assessment on service areas and contractors. • Public liability and property insurance. • Risk management system in place to manage equipment, contractors, property and environmental and health & safety risks. • Health and safety performance monitoring of Delivery Partners to ensure HS&E compliance. • Risk assessing, and then managing accordingly, every property and asset. • Statutory checks to ensure regulatory HS&E Compliance. • Event Safety Plan for all events managed by external consultants. • Covid Secure risk assessments for all Council operations are in place and certified Covid Secure 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
				
10		10		10
Notes				Review Date
Comprehensive plans put in place in response to Covid 19 pandemic. Services and activities have been risk assessed and safe working practices put in place to protect staff and residents from the impact of Covid.				December 2020


Status	Risk Score	Risk Title	Description	Risk Owner
	8	Managing Customer Expectations	Inability to meet customers' demand for services.	Head of Business Development and Improvement; Chief Executive
Causes		<ul style="list-style-type: none"> Lack of clear standards/standards not being met Staff not demonstrating core values/behaviours Poorly trained staff/ineffective learning Staff not empowered to take decisions Ineffective front:back office processes Lack of resources/resources not aligned to priorities Poor services 	Consequences	<ul style="list-style-type: none"> Poor customer satisfaction. Quality and timeliness of service suffers. Sustainability of service. Increased customer complaints. Impact on Elected Members.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> Increase community delivery. Channel shift to self-service. Re-design services using quality data. Develop structured multi-agency partnerships. Right first time services to remove avoidable work. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p>Likelihood</p> <p>Impact</p> <p>8</p>		 <p>Likelihood</p> <p>Impact</p> <p>4</p>		 <p>Likelihood</p> <p>Impact</p> <p>8</p>
Notes				Review Date
Risk score remains the same despite a number of challenges				January 2021

Frontline customer service delivered successfully from home during lockdown. Online and telephony contact channels will operate from the Civic Centre once it is re-opened.

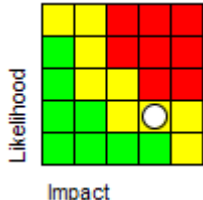
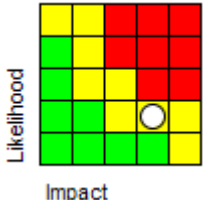
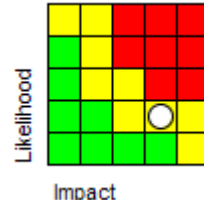
Significant communications support to customers in place during lockdown - this will continue to ensure customer expectations are managed.


Roll out of technology to support customer self service continues: e.g Scanstation introduced; implementation of Revenues & Benefits self service software underway although full rollout delayed due to Covid-19; website accessibility improvements completed with more in progress; new payments portal scheduled for spring 2021; housing portal scheduled for spring 2021.

Complaints annual report shows continuous improvement.

Status	Risk Score	Risk Title	Description	Risk Owner
	8	Fraud & Corruption	Incident of fraud and/or corruption occurs within the Council.	Chief Finance Officer
Causes		<ul style="list-style-type: none"> • Low staff morale • Debt (Individual) • Lack of vigilance by staff • System weakness - unknown • Failure to report changes • Incorrect information 	Consequences	<ul style="list-style-type: none"> • Financial and reputational loss. • Potentially more fraud (gaps not closed)
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Counter fraud arrangements reviewed through annual self-assessment. • Counter Fraud and Corruption Strategy and Policy to be reviewed regularly. 		


Page 90

Risk Assessments			
Original Risk Rating	Target Risk Rating	Current Risk Rating	Review Date
 <p>8</p>	 <p>8</p>	 <p>8</p>	
Notes No change to the risk score is required. Revised processes have been agreed to support remote working during the pandemic. The potential for increased financial risks arising from the Covid-19 business grants are being mitigated through pre and post assurance processes.			January 2021

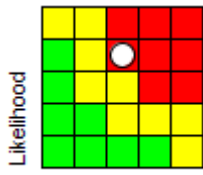
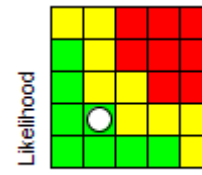
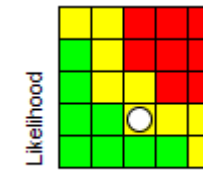
Status	Risk Score	Risk Title	Description	Risk Owner
	6	Systems and Technology	Lack of investment in the right technology and systems.	Head of Business Development and Improvement
Causes	<ul style="list-style-type: none"> • Failure to invest /keep up to date • Lack of knowledge to specify what we need • Fraud - internal theft of data or sabotage of system/data • Lack of training • Poor implementation • Policies not up to date • Not utilising fully 	Consequences	<ul style="list-style-type: none"> • System fails - cannot deliver (or less than optimal) • Fraud or financial impact • ICO action/fine • Wasted money/resources • Loss of critical data • Reputational damage and/or undefendable claims 	
Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Digital Strategy 2018/20 and Implementation Plan with focus on: • Digital customers – channel shift/self-service and meeting changing expectations • Digital workforce – using technology to transform how • Digital foundations – maintaining modern, secure systems and infrastructure and strengthening governance and resilience • IT investment - with 10 year plan - aligned to business needs and requirements (Digital Strategy). • Programme supported by clear business cases and benefit realisation reports. • Robust business continuity and disaster recovery arrangements. • Continue to maximise opportunities for partnership working – e.g. through Better Together - which will deliver on shared ICT resources. 			

Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>
12	4	6

Notes	Review Date
<p>Risk assessment remains the same.</p> <p>PSN compliance maintained - confirmed Dec 2020</p> <p>Microsoft 365 roll out continues - SharePoint and OneDrive rolled out autumn 2020. SharePoint/RDS server upgraded</p> <p>Hardware refresh continues in early 2021 with new devices for extended leadership team.</p> <p>Housing system phase one live in July 2020, upgrade in test.</p> <p>Northgate customer access landlords (CAL) live, CAB and CAR in test</p>	<p>January 2021</p>

Status	Risk Score	Risk Title	Description	Risk Owner
	6	Managing Partnerships	Inability to influence strategic partnerships (e.g. health/ LEP/NYCC etc.).	Director of Economic Regeneration and Place
Causes		<ul style="list-style-type: none"> • Poor relationship management • Political buy in • Performance Management • Clarity of Purpose • Commissioning/contract management • Lack of Shared objectives • Due Diligence • Partnership governance 	Consequences	<ul style="list-style-type: none"> • Service Failure - quality of delivery • Reputational • Loss of Service • Impact on customers/residents from lack of partnership resources • Conflicting priorities • Unable to gain additional resource/staff/funding • Capacity - ventures • Overspending • Legal challenge and costs • Conflicting governance • liability of additional cost/spend.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Targeted work with key developers and investors. • Close working with the LEP's to identify potential investment opportunities. • Close involvement in shaping the demands within any Devolution deal. • Re-structure to increase capacity in economic development, regeneration and partnerships. 		

Page 93


Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
 <p>12</p>	 <p>4</p>	 <p>6</p>
Notes		Review Date
Risk assessment remains the same		January 2021

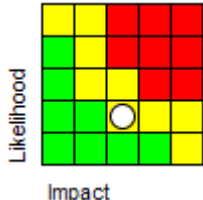
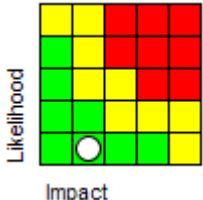
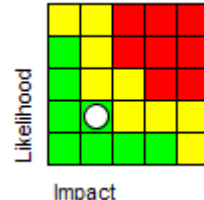
As a small council with big ambitions we rely on strong partnerships to enable us to deliver. The Council proactively works with key partners in a number of ways and is building up a growing reputation as an outward-looking and proactive organisation who delivers through working with others.


There is a partnerships policy in place and successful partnerships delivering across a range of outcomes such as health, economic growth, housing, arts/culture/heritage etc.

The Covid-19 pandemic has really put to the test the strength of our partnership working but the foundations we have put in place over recent years have put us in good positive to both respond to the immediate impacts of Covid-19 but to also positively lead the district's recovery. Some examples of this include:

- the award-winning Selby Health Matters partnership with NYCC public health has brought a wide range of health partners together over recent years to deliver better joint working. This enabled very strong joint working from the outset of the Covid-19 pandemic to ensure vulnerable people in the district were supported, with NYCC very positive about the strength of joint working in Selby District.
- We have developed very effective partnership working with both Local Enterprise Partnerships to ensure Selby District's ambitions were properly captured in economic plans, future Local Industrial Strategies and funding programmes. Our Head of Economic Development & Regeneration works for the York & north Yorkshire LEP for 1 day per week to embed strong joint working. This has enabled us to strongly shape the emerging Local Industrial Strategy and the York and North Yorkshire Devo Deal, which has now been submitted to government, to ensure Selby District's priorities are properly captured. This has also meant we have also played a lead role in shaping the Covid-19 economic recovery plan for Y&NY too to ensure it includes locally important priorities.
- Culture, arts and the visitor economy has been particularly badly impacted by Covid-19 but needs to play a central role in local economic recovery and re-building community confidence and hope for the future. The multi-partner Selby 950 programme which was delivered in 2019 to celebrate the 950th anniversary of Selby Abbey has had glowing feedback from the Arts Council, and the National Heritage Lottery Fund who helped to fund it. This is opening-up opportunities for strengthened partnership working and additional partner funding into the district going forward. Our Visitor Economy Strategy and Action Plan is being implemented resulting in much stronger collaboration and joint working across the district. The Council have committed significant additional funding through its Programme for Growth to support this work over the coming years.

Status	Risk Score	Risk Title	Description	Risk Owner
	4	Information Governance/Data Protection	Non-compliance with the Freedom of Information and General Data Protection Regulation acts.	Chief Finance Officer
Causes	<ul style="list-style-type: none"> • ineffective and/out of date policies • staff not aware and/or trained • ineffective communication • lack of an Information Asset Register and associated roles and responsibilities 		Consequences	<ul style="list-style-type: none"> • Loss or inappropriate use of personal data and information. • Damaged reputation. • Financial penalty.
Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Information governance action plan delivered to agreed timescales, including - policies and systems in place; training provided to officers and members. • Breaches recorded, monitored and followed up. 			

Page 95	Risk Assessments		
	Original Risk Rating	Target Risk Rating	Current Risk Rating
	 <p style="text-align: center;">6</p>	 <p style="text-align: center;">2</p>	 <p style="text-align: center;">4</p>
Notes			Review Date
<p>Risk reviewed, assessment remains the same. Majority of staff continue to work at home. We are working with Veritau to minimise the risks Cyber security awareness raising continues. SIRO in place. Corporate Information Governance Group in place and meeting regularly. DPO in place Potential data breaches being reported/investigated. Information Asset Register continues to be developed - supporting GDPR compliance.</p>			January 2021

Status	Risk Score	Risk Title	Description	Risk Owner
	3	Failure in corporate governance arrangements	The Council's governance and transparency of decision making is not effective and does not align with the Council's required flexibility to adapt.	Solicitor to the Council
Causes	The changing agenda and drive towards commercialisation requires the council to be 'fleet of foot' which may impact the ability to be accountable and transparent and legally compliant.		Consequences	<ul style="list-style-type: none"> • Councillors and managers may make decisions outside their accountability. • The Council will be vulnerable to legal challenges and ombudsman complaints with attendant costs, consequences and reputational damage. • Budgets may be overspent and outcomes may not improve.
Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Constitution reviewed regularly including rules on decision making, access to information rules, contract procedure rules and financial procedure rules. • Governance training programme delivered for management team 			

Page 96

Risk Assessments			
Original Risk Rating	Target Risk Rating	Current Risk Rating	
<p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p> <p style="text-align: center;">12</p>	<p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p> <p style="text-align: center;">3</p>	<p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p> <p style="text-align: center;">3</p>	
Notes			Review Date
Risk reviewed, assessment remains the same.			January 2021



Report Reference Number: A/20/22

To: Audit and Governance Committee
Date: 27 January 2021
Authors: Ed Martin; Audit Manager – Veritau
Daniel Clubb; Counter Fraud Manager – Veritau
Rebecca Bradley; Assistant Director –
Information Governance – Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Internal Audit, Counter Fraud and Information Governance
Progress Report 2020/21

Summary:

The purpose of the report is to provide an update on the delivery of the internal audit work plan for 2020/21. The report also updates the committee on counter fraud and information governance work undertaken so far in 2020/21. Due to Covid-19, work on the annual audit plan was delayed so this report updates members on the plans for completion of work over the remainder of 2020/21.

Recommendation:

To note progress on delivery of internal audit, counter fraud and information governance work and the plans for work to be completed in 2020/21.

Reasons for recommendation:

To enable the committee to fulfil its responsibility to review the outcomes of internal audit and counter fraud work, including any issues arising, and action being taken.

1. Introduction and background

1.1 The provision of Internal Audit is a statutory requirement (Accounts and Audit Regulations 2015).

1.2 The Audit and Governance Committee approved the Internal Audit, Counter Fraud and Information Governance plans for 2020/21 at the meeting held on 29 July 2020.

- 1.3** The purpose of this report is to inform the committee of the progress in delivering the 2020/21 plans, and on the plans for completion of work over the remainder of 2020/21.

2. The Report

- 2.1** Details of internal audit, counter fraud and information governance work undertaken in 2020/21 are included in the reports at appendices A to C respectively.

Internal Audit

- 2.2** Veritau carries out internal audit work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3** Internal audit provides assurance on corporate governance arrangements, internal control and risk management to the Council's management team and this committee.
- 2.4** Work is ongoing on 11 audits for 2020/21. All of these are expected to be completed and reported to the committee in the next progress report.
- 2.5** Further audits will be agreed with managers to take place in quarter 4 and will be reported to this committee in due course. A plan for remaining work will be agreed with the Chief Finance Officer (s151 officer) to manage this process. It will be a significant challenge to complete all work to expected deadlines. Continued assistance and prioritisation by officers from now until the end of April 2021 is essential to help us complete our plan of work.

Counter Fraud

- 2.6** Veritau delivers a counter fraud service to the Council. The counter fraud team aims to prevent, detect and deter any fraud committed against the council. Veritau supports the Council's section 151 officer in delivering the Council's counter fraud strategy.
- 2.7** There has been disruption to normal working practices as the team have moved to Covid secure methods of working. Interviews and visits usually conducted in person have had to be replaced with new procedures.
- 2.8** The counter fraud team have continued to support the council with Covid-19 grant payment processes and post payment assurance work. Four grant payment investigations have been completed to date and £30k of incorrect payments have been prevented. In addition, the counter fraud team have detected further £8.4k of loss to the council and achieved £8k in actual savings for the council. There are currently 14 investigations ongoing. A summary of counter fraud work carried out during 2020/21 is included at appendix B.

Information Governance

- 2.9 Information Governance provides advice and assurance on compliance with the GDPR and Data Protection Act 2018. This includes the Information Asset Register, Privacy Notices, Data Protection Impact Assessments and project specific advice.
- 2.10 Action is ongoing to address the outstanding areas of the Information Asset Register and other areas of GDPR compliance. A new action plan has been provided to the council and CIGG (Corporate Information Governance Group). This is now being utilised fully to keep track of work.
- 2.11 Veritau worked with the council to respond to Covid-19. A new privacy notice for the Self-Isolation Payment for Covid-19 has been finalised and published. The main Covid-19 privacy notice has also been amended.
- 2.12 Information security incidents continue to be reported to Veritau and investigated. Veritau has provided advice on the completion of data protection impact assessments and is providing support in respect of surveillance and law enforcement processing. Training sessions will be held with council officers on data protection rights and principles, and records management. These will be held online.
- 2.13 A detailed summary of information governance activity and arrangements is included in Appendix C.

3. Implications

- 3.1 There are no legal, financial, policy and risk, corporate plan, resource or other implications from this report.

4. Conclusion

- 4.1 Delays in starting the 2020/21 audit plan and the ongoing impact of Covid poses significant challenges to the completion of audit work to expected deadlines. Plans to enable this to be done will be agreed with the Chief Finance Officer and the continued assistance and prioritisation by officers from now until the end of April 2021 will be essential to help us complete our plan of work.
- 4.2 The counter fraud team continue to help deliver the aims and objectives of the Council's counter fraud strategy. Fraud reported to the team is investigated and progress is regularly reported to the committee.
- 4.3 An action plan is in place to deliver information governance work on behalf of Selby District Council; this is overseen by the council's CIGG.

Regular liaison takes place with the council's Senior Information Risk Owner (SIRO) and regular updates are reported to this committee.

Background Documents

Internal Audit, Counter Fraud and Information Governance Plans 2020/21

Appendices:

Appendix A - Internal audit progress report – January 2021

Appendix B - Counter fraud progress report – January 2021

Appendix C - Information governance progress report – January 2021

Contact Officers:

Ed Martin - Audit Manager - Veritau

ed.martin@veritau.co.uk

01904 552932 / 01757 292281

Daniel Clubb - Counter Fraud Manager – Veritau

Daniel.clubb@veritau.co.uk

01904 552947 / 01757 292281

Rebecca Bradley - Assistant Director - Information Governance - Veritau

Rebecca.bradley@veritau.co.uk

01609 535034



Selby District Council

Internal Audit Progress Report 2020/21

Audit Manager:
Head of Internal Audit:
Date:

Ed Martin
Max Thomas
27th January 2021



Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, the Head of Internal Audit is required to regularly report progress on the delivery of the internal audit plan to the Audit and Governance Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the 2020/21 Internal Audit Plan at their meeting on 29th July 2020. This was delayed due to Covid-19 and the plan included an allocation of time for work in response to Covid-19. The total number of planned days for delivery of internal audits in 2020/21 was 235 days. There is also an allocation of 25 days for risk management.

Internal Audit Work In Progress 2020/21

- 3 Annex 1 summarises the work in progress for the 2020/21 plan. Fieldwork has recently been completed or is in progress for 8 audits. It is expected that reports for these audits will be issued in quarter 4 and reported to this committee in the next progress report. Planning has commenced on a further 5 audits and it is expected that fieldwork will be completed in quarter 4.
- 4 The audits listed are those that are underway or have been agreed with management to take place during the year. Further audits will be agreed with management and completed in quarter 4.
- 5 All audits are currently being carried out remotely and virtual meetings held with officers. It will be a significant challenge to complete all work to expected deadlines. Continued assistance and prioritisation by officers from now until the end of April 2021 is essential to help us complete our plan of work.
- 6 Some issues were identified in 2019/20 work but reports were not finalised due to normal audit work being temporarily suspended at the request of the council due to Covid-19. Current work will identify where these issues still need to be addressed. Where actions are required, these will be agreed with managers as part of 2020/21 audit reports.

Follow up of agreed actions

- 7 It is important that agreed actions are formally followed-up to ensure that they have been implemented. However, during the ongoing Covid-19 pandemic, given the additional demands on officers, Veritau has agreed with management to take a pragmatic approach to follow up work. We have therefore concentrated resources on following up higher priority actions. Completion of lower priority actions has continued to be monitored but less active follow up work has been undertaken.
- 8 It is normal practice for some actions to have revised implementation dates. For example, where the delay in addressing an issue will not lead to unacceptable exposure to risk and where delays are unavoidable. Due to Covid-19 and the demands on officers' time it is expected a larger number of revised implementation dates will be agreed.

- 9 This report highlights to the committee where priority 1 and priority 2 actions agreed as part of previous audit have implementation dates revised by more than 12 months from those originally agreed (see Annex 2).

2020/21 Audits

Audit	Status
<u>Corporate Risk Register</u>	
Health and Safety	Planning commenced
<u>Financial Systems</u>	
Council Tax & NNDR	Fieldwork completed
Benefits	Fieldwork in progress
Creditors	Fieldwork in progress
General Ledger	Fieldwork completed
Debtors	Planning commenced
Payroll	Planning commenced
Housing Rents	Planning commenced
<u>Operational, Technical and Project Audits</u>	
Absence Management	Fieldwork in progress
Data Quality	Planning commenced
Contract Management and Procurement	Fieldwork in progress
<u>Other audit work</u>	
Selby 950 Arts Council grant	Completed (grant certification)
Pooling of Housing Capital Receipts Claim	Fieldwork in progress

Annex 2: P2 actions or above with revised dates of more than 12 months

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Payment Card Industry Data Security Standard (PCI DSS)	New software purchased as old system ceased to be supported. Implementation of new software should resolve PCI DSS issues Management responsibility has been defined. Responsibility for completing annual PCI DSS assessment to be assigned.	1	Head of Business Development & Improvement	31 March 2021	The council procured a new system during 2019-20 to enable PCI DSS compliance. Whilst originally it was hoped that this would be implemented by September 2020, delays due to Covid-19 mean this is now likely to be delayed slightly to March 2021. The new system should resolve PCIDSS issues.
Contract Management and Procurement	An audit found there were no procedures for reporting breaches of the Contract Procedure Rules once they have been identified. CPRs have been updated but due to Covid-19 follow up testing has not been completed to confirm the implementation and effectiveness of the new procedures.	2	Head of Commissioning, Contracts & Procurement	31 March 2020 (Completed but being re-assessed as part of current work)	The CPRs have been updated to include that breaches are a serious matter that need to be reported so that they can be investigated further. The CPRs also include details on who breaches should be reported to. This will be followed up further as part of ongoing 2020/21 work on contract management and procurement.

<p>Performance Management</p>	<p>PDR guidance to be reviewed and updated</p> <p>HR to undertake QA review of sample of PDRs</p> <p>Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete.</p> <p>Training plan to be completed promptly following PDR process.</p>	<p>2</p>	<p>Head of Business Development and Improvement</p>	<p>Revised date 31 March 2021</p>	<p>A wholesale review of PDRs is planned for 2020 but this has been delayed.</p> <p>Existing guidance will be updated in advance of the next round of PDRs, to be completed at the end of 2020/21.</p>
-------------------------------	--	----------	---	-----------------------------------	--



Selby District Council

**Counter Fraud
Progress Report 2020/21**

Corporate Fraud Manager:
Head of Internal Audit:
Date:

Daniel Clubb
Max Thomas
27th January 2021



Background

- 1 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom.
- 2 Councils are encouraged to prevent, detect and deter fraud in order to safeguard public finances.
- 3 Veritau are engaged to deliver a corporate counter fraud service for Selby District Council. A corporate counter fraud service aims to prevent, detect and deter fraud and related criminality affecting an organisation. Veritau deliver counter fraud services to the majority of councils in the North Yorkshire area as well as local housing associations and other public sector bodies.

Covid-19 Grant Fraud

- 4 As a result of the Covid-19 pandemic there has been unplanned activity and disruption to established working practices for the counter fraud team. This has seen a reduction in the number of referrals to the team and a reduction in the number of cases that could be brought to a successful conclusion in the year to date. Face-to-face activities, such as interviews under caution and visits to properties have had to be replaced with new procedures to ensure Covid secure working practices to protect staff and customers. New work has emerged relating to Covid-19 grants. The council have been tasked with issuing central government funded grants to support businesses and residents affected by Covid-19. This work has evolved with several new schemes being introduced from September 2020.
- 5 The counter fraud team has provided support through the investigation of grant applications suspected of being fraudulent. Investigation and intelligence sharing has prevented incorrect payments totalling £30k. Organised criminal gangs have targeted local authorities who have been distributing government funding. The counter fraud team has monitored and shared intelligence with both regional partners and national institutions such as the National Investigation Service and the National Anti-Fraud Network.
- 6 Post-assurance checks are ongoing in relation to successful applications for the initial tranche of grants. Veritau are supporting council officers with further post-assurance work on the newer schemes. In addition, the 2020/21 National Fraud Initiative will include Covid-19 grant data matches to detect fraud and error.

Counter Fraud Performance 2020/21

- 8 Up to 31st December, the fraud team detected £8.4k of loss and achieved £8.1k in savings for the council. Investigative work also prevented a false homelessness application from entering the housing list. There are currently 14 ongoing investigations. A summary of counter fraud activity is included in the tables below.

COUNTER FRAUD ACTIVITY 2020/21

The tables below show the total number of fraud referrals received and summarises the outcomes of investigations completed during the year to date.

	2020/21 (As at 31/12/20)	2020/21 (Target: Full Year)	2019/20 (Full Year)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked).	28%	30%	75%
Amount of actual savings (quantifiable savings - e.g. CTS and CTAX) identified through fraud investigation.	£8,053	£14,000	£16,728
Amount of savings from the prevention of Covid-19 grant fraud (to be returned to Central Government)	£30,000	n/a	n/a

Page 109

Caseload figures for the period are:

	2020/21 (As at 31/12/20)	2019/20 (Full Year)
Referrals received	77	114
Referrals rejected	23	72
Number of cases under investigation	14	11 ¹
Number of investigations completed	18	24

Summary of counter fraud activity:

¹ As at 31/03/2020

Activity	Work completed or in progress
Data matching	<p>Work on the 2020/21 National Fraud Initiative exercise is underway. In November, the counter fraud team assisted the Council's submission of datasets required for main exercise. Further data for matches relating to Single Person Discounts and Covid-19 grants will be provided by the end of January 2021. Matching outputs are expected to be released from February 2021.</p>
Fraud detection and investigation	<p>The service continues to use criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> • Covid-19 Grants – The team has investigated four applications for a Covid-19 grant which resulted in payments totalling £20k being stopped. One person was issued a warning for trying to obtain a grant for a business that was not in operation. Intelligence provided by the counter fraud team prevented a further payment of £10k from being paid to organised criminals running a national scam. There are two ongoing investigations. • Council Tax Support fraud – To date the team has received 40 referrals for possible CTS fraud. No new fraud or error has been detected during the current financial year but savings of £4.5k achieved. There are currently three cases under investigation. • Council Tax fraud – 21 referrals for council tax fraud have been received in 2020/21. There are currently seven cases under investigation. Fraud and error of £2.6k has been detected during the current financial year, with savings of £1.7k achieved. • NNDR fraud – 10 referrals for NNDR fraud have been received in 2020/21. To date, £5.8k in fraud and error has been detected in this area. Three cases are currently under investigation.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • Housing fraud – The team has received six referrals for investigation in the year. There is currently one ongoing investigation in this area. In October, a resident was issued with a caution for failing to provide correct information when declaring themselves homeless. Investigation resulted in the housing application being cancelled before a tenancy was offered. • Internal fraud – No cases of internal fraud have been reported this year.
Fraud liaison	<p>The fraud team acts as a single point of contact for the Department for Work and Pensions (DWP) and is responsible for providing data to support their housing benefit investigations. DWP fraud and compliance staff were redeployed at the outset of the Covid-19 pandemic but have started returning to regular duties in late 2020. The team have dealt with one request on behalf of the council in 2020/21.</p>
Fraud Management	<p>In 2020/21 a range of activity has been undertaken to support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • The counter fraud team alerts council departments to emerging local and national threats through a monthly bulletin and specific alerts over the course of the year. • In May 2020, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2019/20, meeting the council's obligation under the Local Government Transparency Code 2015. • In September 2020, the council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey. The information contributes to an annual CIPFA

Activity	Work completed or in progress
	<p>report which provides a national picture of fraud, bribery and corruption in the public sector and the actions being taken to prevent it.</p> <ul style="list-style-type: none"><li data-bbox="465 384 2007 507">• In November, the counter fraud team and the council’s communications team worked together to raise awareness of fraud internally and with the public during International Fraud Awareness Week.<li data-bbox="465 560 2007 683">• Throughout the Covid-19 pandemic, the counter fraud team have provided support to the council in preparing for and administering government funded grant schemes. This has included reviewing government guidance and advising on best practice.



Selby District Council

Information Governance Progress Report December 2020

Information Governance Manager: Rebecca Bradley
Head of Internal Audit: Max Thomas
Date: 27th January 2021



PURPOSE OF THE REPORT

- 1 To provide an update on Information Governance matters and developments in the Council's Information Governance arrangements and compliance with relevant legislation.
- 2 Information governance is the framework established for managing, recording, protecting, using and sharing information assets in order to support the efficient and effective delivery of services. The framework includes management structures, policies and processes, technical measures and action plans. It helps to ensure information is handled securely and correctly, and provides assurance to the public, partners and other stakeholders that the Council is complying with all statutory, regulatory and best practice requirements. Information is a key asset for the Council along with money, property and human resources, and must therefore be protected accordingly. Information governance is however the responsibility of all employees.
- 3 The Council must comply with relevant legislation, including:
 - The Data Protection Act 2018
 - The General Data Protection Regulation (GDPR)
 - Freedom of Information Act 2000
 - Environmental Information Regulations 2004
 - Regulation of Investigatory Powers Act 2000
- 4 In March 2018, the Council appointed Veritau to be its statutory Data Protection Officer (DPO).
- 5 The Corporate Information Governance Group (CIGG) is responsible for overseeing information governance within the council. The group is chaired by the Head of Business Development and Improvement and provides overall direction and guidance on all information governance matters. CIGG also helps to support the Council's Senior Information Risk Owner (SIRO) to discharge her responsibilities. CIGG is currently coordinating the delivery of the GDPR action plan, which includes reviewing and updating the council's information governance strategy and policy framework.

GDPR ACTION PLAN UPDATE

- 6 A new action plan has been provided to the Council with a thorough breakdown of actions to achieve our deliverables. This is now being utilised fully to keep track of work.
- 7 A review of the council's privacy notices has been completed and gaps identified. These will be amended in conjunction with the review of the Information Asset register.
- 8 Work has commenced to review and update the information governance policy framework. The review has now been completed and updated policies will now be shared with any amendments being completed in quarter 4.

- 9 A Special Category Policy, required to satisfy Schedule 1, Part 4 of the Data Protection Act 2018 has now been completed This document lists the types of special category information the council processes and their lawful basis to do so. This will be presented at the next CIGG meeting for review.
- 10 The Information Asset Register has been amended to reflect GDPR compliance needs and now includes columns for law enforcement processing. Work is ongoing to ensure the register is correct and up to date. Veritau is working with the relevant service teams to complete this work. Some areas require small amendments. Major outstanding areas include Legal and Housing & Environmental Health. Human Resources have completed their first draft for the register which is now being checked.
- 11 A gap analysis of the Council's Information Sharing Agreements (ISA) has been completed with areas of concern identified. Veritau has confirmed the high risk areas with the SIRO and is establishing what ISA's and Data Processing Contracts are held. The initial plan was to contact the individual service areas, however due to their high workloads it has been decided to contact the Contracts team to get as many from them as possible then any outstanding ones can be gained from the service areas directly.

CORONAVIRUS (COVID-19)

- 12 A new privacy notice for the Self-Isolation Payment for Covid-19 has been finalised and published. The main Covid-19 privacy notice has also been amended to include elements of Track & Trace processing.
- 13 The Council continue to work with other members of the North Yorkshire Information Sharing Protocol to continue sharing under the overall ISA for Covid-19 related sharing.

TRAINING

- 14 It was agreed at CIGG that training sessions will be held online and in smaller sessions. The training sessions, which will be bookable, includes Records Management, Data Protection Rights and Principles and a new session around Data Protection Impact Assessments. The Council has been approached in relation to identifying dates and once these are confirmed, the sessions will be formally booked in.

INFORMATION SECURITY INCIDENTS (DATA BREACHES)

- 15 Information Security Incidents have been reported to Veritau as required. The incidents are assessed, given a RAG rating and then investigated as required. Green incidents are unlikely to result in harm but indicate a breach of procedure or policy; Amber incidents represent actual disclosure, but harm is unlikely to be serious; and Red incidents are sufficiently serious to be considered for self-reporting to the ICO. Some incidents are categorised as 'white'. White incidents are where there has been a failure of security safeguards but no breach of confidentiality, integrity, or availability has actually taken place (i.e. the incident was a near miss).

- 16 The number of Security Incidents reported to the Council and Veritau in 2020-21 are as follows:

Year	Quarter	Red	Amber	Green	White	Total
2019/20	Q1	0	2	2	1	5
	Q2	0	1	0	2	3
	Q3	0	1	2	0	0
	Q4	0	0	0	0	0
	Total	0	4	4	3	8

SUBJECT ACCESS REQUESTS – INTERNAL REVIEWS

- 17 Veritau do not process Subject Access Requests for Selby however we do advise on Internal Reviews when appropriate.

DATA PROTECTION IMPACT ASSESSMENTS

- 18 High Street Heritage Action Zone Project Newsletters
Veritau are supporting the service area with a DPIA related to the Heritage project. Initially this DPIA was focusing on newsletters to promote the events however it is now being expanded to cover the project as a whole. An initial draft has been done and is with Veritau for checking. A draft privacy notice is prepared, ready for when a processor is chosen and the IAR will also be updated to reflect this.
- 19 MyView
In 2019, the council implemented MyView. However a DPIA was not done before implementation. A first draft of the DPIA was received by Veritau in September. Comments have been returned to the service.
- 20 Biometric for Laptops DPIA
Veritau is supporting the service area in the DPIA for the use of employee biometric data for the use of fingerprint unlocking on work laptops, phones and other equipment where this can be enabled. This DPIA is nearing completion.
- 21 Canvass Reform
The service area are currently writing the DPIA to reflect changes to how information is collected as part of the Canvass Reform, as set out in new legislation by the Cabinet Office.
- 22 Recording Meetings
Advice has been given regarding the recording of council meetings. We are assessing whether a DPIA is required for such recording and what other supporting documentation would need to be in place.

SURVEILLANCE

- 23 Veritau have had a number of meetings with Angela Crossland and others to move the overt surveillance work forward. The Surveillance log has been circulated and a gap analysis will be completed. Actions will be set to prioritise

which DPIA's and ISAs need to be in place. Progress will continue to be reported to CIGG.

- 24 Draft policy documents and privacy notices are complete, subject to further consultation with the relevant officers.
- 25 Whilst Veritau have been focused on overt Surveillance, there has also been discussions about the need to ensure that Surveillance as a whole is considered, including covert surveillance. To assist with this, Veritau have conducted a review of the current RIPA (Regulation of Investigatory Powers Act) Policy and has provided some general advice.

LAW ENFORCEMENT

- 26 An initial scoping exercise has taken place to ascertain which areas of the council may need to be considered as undertaking law enforcement processing, which is governed by Part 3 of the Data Protection Act 2018. Whilst work has been delayed due to the high workloads within the Council, good progress has been made. Areas have now been mapped out as far as possible and amendments to the Information Asset Register will reflect where law enforcement processing is taking place, linking back to the relevant legislation and/or enforcement policies.
- 27 Documents such as the new DPIA template and guidance have been drafted to include law enforcement considerations.
- 28 Privacy notices have been reviewed with law enforcement in mind. It has been agreed that any changes to the notices will occur at the same time as any identified updates as per paragraph 7 above. Priority will be given to updating the corporate privacy notice in quarter 4.
- 29 A draft policy document around law enforcement processing, which is a legal requirement, has been completed. This will be presented at the next CIGG for review.
- 30 A training course has been designed which is able to be provided remotely. Further work is being carried out to ensure that the course meets all the requirements of the Council – for example making sure that examples are specific to the services who require training. The course will be made available later in 2021.

This page is intentionally left blank

Agenda Item 12



Report Reference Number: A/20/23

To: Audit and Governance Committee
Date: 27 January 2021
Author: Daniel Clubb, Corporate Fraud Manager, Veritau Group
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Counter Fraud Framework Update

Summary:

In line with the new UK national counter fraud strategy for local government, the council's fraud and corruption strategy has been refreshed. This report also provides an update to the committee on progress against the actions set out in the previous strategy and presents an updated counter fraud risk assessment which reflects the current fraud risks facing the council. The Counter Fraud and Corruption Policy has been updated to reflect new guidance from the Attorney General.

Recommendation:

That the Committee recommend that the Executive approve a new Counter Fraud and Corruption Strategy for 2020 to 2023 and an updated Counter Fraud and Corruption Policy. In addition, the Committee is asked to comment on and note the updated Fraud Risk Assessment.

Reasons for recommendation

To help ensure the council maintains robust counter fraud arrangements.

1 Introduction

1.1 Fraud is a serious risk to the public sector in the UK. When fraud is committed against the public sector, money is diverted from vital public services into the hands of criminals. Fraudsters are constantly refining their tactics and techniques in order to circumvent the checks and controls put in place to prevent fraud from occurring. In order to protect income and assets public sector bodies must therefore continuously develop their counter fraud measures to meet the evolving threats. A strong deterrent is required to prevent fraud from being committed.

1.2 This report documents the annual review of the council's counter fraud framework which this year includes a new counter fraud and corruption strategy, revised action plan, updated fraud risk assessment, and an update to the Council's Counter Fraud and Corruption Policy. There is also an update on the national and local counter fraud trends and developments; particularly arising from the Covid-19 pandemic.

2 National Picture

2.1 As part of the government's response to the Covid-19 pandemic local authorities have been responsible for issuing grants to eligible businesses. The schemes resulted in £11.7 billion being paid out to small and medium sized business across the UK¹ and further schemes were introduced throughout 2020. Fraudsters attempted to divert grants from legitimate businesses, and ineligible businesses have attempted to mislead councils about their circumstances in order to receive grants. Councils have been required to implement suitable counter fraud measures and are now undertaking post assurance work to ensure that all the grants were correctly paid. If fraud or error is detected, then a recovery process will begin that can include the prosecution of offenders.

2.2 Cyber-crime is a growing concern for local government in the UK. There have been a number of attacks on UK public sector organisations over the past few years, e.g., Parliament and the NHS. In 2019 Kaspersky reported a 60% increase in ransomware attacks on local governments worldwide and pointed towards similar attacks in the United States.² A council in the North East suffered a catastrophic cyber-attack in 2020. The ransomware attack removed access to multiple systems across the council and criminals tried to extort money from the council to restore them. A return to full functionality has taken many months. It is important that all councils make members of staff aware of cybercrime and what precautions to take in order to prevent it.

2.3 The most recent analysis of fraud against local authorities from CIPFA is the 2019 Annual Fraud and Corruption tracker. The report details levels of fraud detected by local authorities in 2018/19. Key findings of the report include the following:

- The largest area of loss for local authorities is in council tax related discounts, e.g., single occupancy discount and council tax support. The amount of fraud detected has risen by over £5m since 2016/17 to £30.6m.
- Procurement fraud is an area seen as being a high risk for local authorities. Fraud can take place at any point in the supply chain of goods and services making it difficult to detect. CIPFA reports that 12% of procurement fraud cases detected involved insider fraud and 5% involved serious and organised fraud.

¹ www.gov.uk/government/publications/coronavirus-grant-funding-local-authority-payments-to-small-and-medium-businesses

² Story of the Year 2019 – Cities under Ransomware Siege, Kaspersky

- Housing and tenancy fraud remains significant with over 3600 instances reported in 2018/19. However, the number of cases detected has reduced over the last two years indicating that efforts by councils to tackle the issue may have had a positive impact.

2.4 Veritau completed post-assurance checks on Covid-19 grants for the Council in October and further checks will be made as part of the upcoming 2020/21 National Fraud Initiative. Cyber-crime awareness will form part of all fraud awareness training delivered at the council. The areas highlighted by the CIPFA report are all areas of focus for the counter fraud team in 2020/21.

3 Local Trends

3.1 As part of the Small Business Grant Fund, Retail Hotel and Leisure Grant Fund and the Local Authority Discretionary Fund the Council have processed over 1550 applications, resulting in payments totalling more than £17.7 million. Council officers conducted checks into each application to make sure they met the criteria set by government and the payments were being made to the correct people. Where concerns were identified cases have been directed to the counter fraud team.

3.2 The council is sending monthly reports detailing payments to the Department for Business, Energy & Industrial Strategy (BEIS) and has produced a risk assessment for the Covid-19 grant schemes detailing what steps have been taken to mitigate fraud risk.

3.3 The team has been liaising with the National Investigation Service (NATIS), the National Anti-Fraud Network (NAFN), and the Department for Business, Energy & Industrial Strategy to report fraudulent applications by organised criminals, as well as sharing intelligence with council colleagues.

3.4 The routine work of the counter fraud team has been disrupted by the Covid-19 pandemic; however, this work is now restarting. Activities like visits to people's homes and interviews under caution in council offices are still affected, but the team are finding new ways to undertake this work.

4 Review of Counter Fraud Strategy and Risk Assessment

4.1 The council's Counter Fraud and Corruption Strategy 2017-19 was approved in January 2017 and covered the period of the national counter fraud strategy for local government – Fighting Fraud and Corruption Locally. The national strategy is refreshed periodically and has the support of counter fraud professionals, the Local Government Association, and HM Government. The most recent iteration, Fighting Fraud and Corruption Locally – A Strategy for the 2020s (see Appendix A) was published in April 2020.

4.2 An updated Counter Fraud and Corruption Strategy for 2020-23 (see Appendix B) has been drafted and the committee is asked for comments ahead of approval by the Executive. The strategy takes into account the new Fighting Fraud & Corruption Locally guidance.

- 4.3 As part of this review the council's counter fraud policy and counter fraud risk assessment were also reviewed. The updated risk assessment is included at Appendix C.
- 4.4 On 31 December 2020, guidance from the Attorney General on disclosure in criminal prosecutions came into force. The new guidance seeks to ensure that all relevant evidence is disclosed to the defence ahead of a criminal prosecution, and that there is an opportunity for discussion between the defence and prosecutor after an interview under caution up to commencement of any proceedings. This guidance is reflected in section 5.12 of the updated Counter Fraud and Corruption Policy (Appendix D) and section 3.6 of the Counter Fraud Prosecution Policy (Annex A to the policy). There have also been updates to some job titles.

5 Legal/Financial Controls and other Policy Matters

5.1 Legal issues

- 5.1.1 There are no legal issues relating to this report.

5.2 Financial Issues

- 5.2.1 There are no financial implications as a result of this report.

6 Conclusion

- 6.1 This report updates the committee on national and local developments within counter fraud. It also presents a new counter fraud and corruption strategy for 2020-23 and details the outcomes of the annual review of counter fraud arrangements which helps to ensure that the Council maintains a robust counter fraud policy framework and has an up-to-date fraud risk assessment in place. There is also an update to the Counter Fraud and Corruption Policy for member approval.

7 Background Documents/Contacts

Contact Officer:

Daniel Clubb; Corporate Fraud Manager; Veritau Group
Daniel.Clubb@veritau.co.uk

Appendices:

Appendix A - Fighting Fraud and Corruption Locally: A strategy for the 2020s
Appendix B - Counter Fraud and Corruption Strategy 2020-23
Appendix C - Fraud Risk Assessment
Appendix D - Counter Fraud and Corruption Policy (updated)

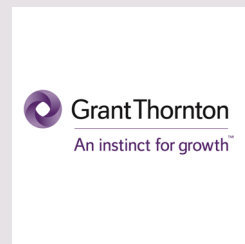
Fighting Fraud and Corruption Locally

A strategy for the 2020s

A response to economic crime and fraud



With support from:



This is the third Fighting Fraud and Corruption Locally Strategy, produced by local government for local government.

Content

03

Foreword
Local Government Association
Joint Fraud Taskforce

05

Executive Summary
Review of 2016 Strategy
Introduction

10

The Context

20

The Strategic Approach
GAPPP
The themes

25

Turning Strategy into Action
The Local Response
Appendix 1 & Appendix 2

Foreword

— Richard Watts



Since the first strategy was produced in 2011 councils have faced significant financial challenges. Councils have innovated, collaborated and prioritised in order to meet the financial challenge and to protect front line services. Tackling the threat of fraud and corruption has been and continues to be a cornerstone of protecting council finances and enabling them to maximise the value of every pound spent on behalf of local residents.

Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant. Councils have a good record in countering fraud and the strategy contains numerous case studies and examples of successes.

As the strategy highlights, it is estimated that about one in three of all crimes committed nationally is fraud based and fraudsters are always seeking new ways to take money. The strategy also highlights that potential losses to fraud could run into hundreds of millions or even billions of pounds if preventative action is not

taken. Councils need to be agile and work together with national agencies and the Government to respond to new fraud threats, to prevent losses and to protect vulnerable people in our society. Collaboration to counter and prevent fraud is a theme running through the strategy.

The Fighting Fraud and Corruption Locally Strategy is an excellent example of how councils can come together for the overall benefit of local services and residents served. The strategy has been led by the Fighting Fraud and Corruption Locally Board. This Board has been described as “a coalition of the willing”. It is a group of senior multi-disciplinary experts from councils working together with partners, that work with the councils on counter fraud activities. The Board is currently chaired by a representative from the Society of Local Authority Chief Executives (SOLACE). The Board members and the organisations they come from all provide their expertise on a pro bono basis, for the benefit of the sector and to help counter fraud. The board is supported by the LGA. In carrying out the research to draft this new strategy, the board has run several workshops up and down the country that have been attended by representatives from more than 250 councils. The work of all these people is reflected in the strategy and our thanks are due to all of them.

The strategy outlines, outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. Section four of the strategy outlines a practical programme and checklist for individual councils to follow.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work in the 2020s.

Cllr Richard Watts
Chair Resources Board, Local
Government Association
Leader Islington Council

Foreword

— Mike Haley



As the Chair of the Joint Fraud Taskforce I am delighted to support The Fighting Fraud and Corruption Locally 2020 strategy at a time when incidences of fraud and corruption are rising and there is an identified need for councils and their leaders to adopt a robust response.

Having worked as a fraud investigator I understand the importance of collaborative working and of having a structure and framework that guides and governs counter fraud and associated corruption activities.

Through working together and applying the principles of this strategy I am convinced that, perhaps for the first time, we have a model for true collaboration that is so important in identifying fraudsters, often organised groups, who seek to undermine and take financial advantage of systemic vulnerabilities and abuse those citizens in our community who are in themselves vulnerable.

I recognise the challenge that we all face in having to balance demands on resource across essential services at a time when funding is constrained. However, I also recognise the important role that local authorities and their frontline services play in tackling fraud and corruption that are a drain on those resources. Savings through enforcement and bringing fraudsters to justice can be used to support our social services and can build stronger and safer communities.

I am convinced that this strategy is an important step in tackling fraud and corruption that is so corrosive to society. In my role as Chair of the Joint Fraud Taskforce I welcome my local authority colleagues. By working together, I am convinced that we can deliver a step change in tackling fraud.

Mike Haley

Chair of the Joint Fraud Taskforce

The Joint Fraud Taskforce is a partnership between banks, law enforcement and government to deal with economic crime.

Executive Summary

Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.

By using this strategy local authorities will:

- *develop and maintain a culture in which fraud and corruption are unacceptable*
- *understand the harm that fraud can do in the community*
- *understand their fraud risk*
- *prevent fraud more effectively*
- *use technology to improve their response*
- *share information and resources more effectively*
- *better detect fraud loss*
- *bring fraudsters to account more quickly and efficiently*
- *improve the recovery of losses*
- *protect those at risk.*

This strategy is aimed at council leaders, chief executives, finance directors and all those charged with governance in local authorities including those on audit committees and with portfolio responsibility. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategies written in 2011 and 2016. It is not 'owned' by any one organisation but by the local authorities who have given time and support to develop it. Areas of focus for elected members, chief executives and those charged with governance are laid out in Section 4: The Local Response.

This partnership has been so successful it has existed since 2010 when the research and engagement first began.

Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions maybe far reaching.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tough stance supported by elected members, chief executives and those charged with governance. This includes tackling cross-boundary and organised fraud and corruption attempts, as well as addressing new risks such as social care fraud and cyber issues.

In addition to the scale of losses and potential losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities report that they are still encountering barriers to tackling fraud effectively, including lack of incentives, data sharing, information sharing and powers, but also that they require support from senior stakeholders and those in charge of governance.

These factors do present challenges. However, this strategy demonstrates the tenacity of local fraud teams in continuing to lead on innovation and collaborate and also that there is a network of local leaders willing to support this initiative. This strategy, then, is about creating a self-sustaining counter fraud response for the sector.

Review of 2016 Fighting Fraud and Corruption Locally Strategy

The previous two strategies focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'.

These pillars are still applicable. During the research for this strategy they were supported as key areas by those who have input. However, another two areas of activity have emerged that underpin tenets of those pillars. These are 'govern' and 'protect'.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

Govern

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

Acknowledge

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Prevent

Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.

The second new area that has appeared during the research recognises the increased risks to victims and the local community:

Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



GOVERN

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.



ACKNOWLEDGE

*Accessing and understanding fraud risks.
Committing the right support and tackling fraud and corruption.
Demonstrating that it has a robust anti-fraud response.
Communicating the risks to those charged with Governance .*



PREVENT

*Making the best use of information and technology.
Enhancing fraud controls and processes.
Developing a more effective anti-fraud culture.
Communicating its' activity and successes.*



PURSUE

*Prioritising fraud recovery and use of civil sanctions.
Developing capability and capacity to punish offenders.
Collaborating across geographical and sectoral boundaries.
Learning lessons and closing the gaps.*



PROTECTING ITSELF AND ITS RESIDENTS

*Recognising the harm that fraud can cause in the community.
Protecting itself and its' residents from fraud.*

This strategy and its tools provide ways for local authorities to further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:

- Culture
- Capability
- Competence
- Capacity
- Communication
- Collaboration

Many local authorities have demonstrated that they can innovate to tackle fraud and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings. There are case studies and quotes through this document evidencing the good work that is already happening.

This strategy

- *recognises that fraud is not a victimless crime and seeks to protect the vulnerable from the harm that fraud can cause in the community*
- *calls upon senior management in local authorities to demonstrate that they are committed to tackling fraud and corruption*
- *calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment*
- *calls upon local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively*
- *calls upon senior stakeholders to listen to the business cases on barriers put by local authorities in order to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers such as a lack of powers.*

Case Study

Birmingham City Council: Acknowledge Using data to tackle fraud

In the original Fighting Fraud Locally 2011 Birmingham City Council was cited as good practice for setting up a data warehouse and protecting public funds. BCC continues to put fraud at the top of the agenda.

BCC has used a well-established, sophisticated data warehouse to develop an automated programme of data matching that allows potential fraud and error to be detected within 24 hours. This has been particularly effective in identifying fraudulent claims for council tax single person discounts and fraudulent housing applications. In time BCC expects the process to reduce the amount of fraud or error requiring a formal investigation as it will have been prevented or stopped almost as soon as it began. As a result, services that are being provided incorrectly can be stopped quickly, thus helping to preserve resources and reduce the level of fraud and error.

“Local authorities must ensure they take the necessary steps to put in place a strategy which can deliver a response that protects itself and its residents. Councils need to commit adequate resources to support that work and also measure its progress against that strategy. Fighting Fraud and Corruption Locally provides the necessary tools and ideas to support that work.”

Trevor Scott, Chief Executive Wealden District Council

Introduction

This strategy document is aimed primarily at council leaders and other elected members, chief executives, finance directors and those charged with governance in local authorities.

As a result of lessons learned during previous incarnations this document contains the core strategy together with companion documents which provide more detailed guidance on its implementation which will be updated when necessary during the life of this strategy. In that way there will be live documents for practitioners to draw upon that will more readily reflect the ever changing fraud local landscape.

We recognise that pulling together practitioners and stakeholders to discuss these issues is a local authority exercise and detracts from day-to-day activity where there are limited resources in place. Therefore this strategy will cover from 2020 onwards supported by live companion documents.

The research for this strategy was carried out by local practitioners and board members.

The research was commissioned by the board and was coordinated by the secretariat.

The research consisted of:



The original Fighting Fraud Locally 2011 strategy was launched with a series of pilots and joint working, conferences and awards and was hugely successful. The workshops highlighted much work being done in local authorities that is commendable and can prevent fraud across boundaries. Therefore, as part of these fact-finding engagement exercises those that attended workshops were asked to offer activity to demonstrate the partnership as part of FFCL. Around 30 activities and events have been identified for 2020 that demonstrate some of the good practice found during the research for this document and show that local authorities continue to tackle fraud and corruption. It is intended that these examples will be used to kick-start momentum in the way that the 2011 strategy did. In addition a number of working groups have formed already to implement the recommendations.

The activity following the publication of FFCL 2016 was more limited. There was no formal local launch and limited board activity. Therefore some of the issues raised during that research still persist. Efforts have been made to redress this during the research for this strategy by setting in place activity to address those persistent issues.

Nevertheless it is clear that local authorities continue to tackle fraud, as evidenced in this strategy's case studies and by the appetite to take forward the issues raised during the research and in the good practice guides.

Several new areas were raised during the research as barriers to overcome and local authorities have already stepped up to join together to help tackle these barriers. As part of the engagement exercise working groups and local authorities are already in place to begin the work on these issues.

This document is divided into four sections:

Section 1

The Context

Sets out the nature and the scale of fraud losses, the argument for measurement and the key issues raised by stakeholders.

Section 2

The Strategic Response

Describes the response that is required from local authorities to address the challenges they are facing, identifying the activities necessary in order to achieve the strategic vision.

Section 3

Turning Strategy into Action – Delivery Plan

Sets out the recommendations and the framework for delivery.

Section 4

The Local Response – Appendices

Companion Annexes

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. These documents may be refreshed at any time during the life of the strategy. They are not part of the strategy but are further guidance that is changeable. Areas they cover include fraud risks, good practice and the counter fraud local landscape.

Section 1: The Context

a) The scale of fraud and corruption

It is accepted that fraud affects the UK across all sectors and causes significant harm.

The Office for National Statistics states that one in 16 members of the population is likely to fall victims. The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

The last, most reliable and comprehensive set of local authority figures was published by the National Fraud Authority in 2013, and indicates that the fraud threat may have been costing the UK £52bn a year.

Within these figures the threat to local authorities totalled £2.1bn.

More recent estimates are higher. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that figure may be as high as £7.8bn in 2017 of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn.

“We do not have a wholly reliable estimate of the total scale of economic crime. However, all assessments within the public and private sectors indicate that the scale of the economic crime threat continues to grow.”

Economic Crime Plan 2019

The National Fraud Authority estimated public sector fraud (including local government) at £20.6bn in 2013.

The National Audit Office's Local Landscape Review 2018 estimated fraud at up to £20.3bn excluding local government.

The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:

Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated loss
Housing tenancy fraud	£845m
Procurement fraud	£876m
Payroll Fraud	£154m
Council Tax fraud	£133m
Blue Badge Scheme misuse	£46m
Grant fraud	£35m
Pension fraud	£7,1m

Annual Fraud indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss. The fraud landscape has changed since 2013 as councils have introduced new ways of working and innovative responses to risks, while at the same time new areas of fraud risk have appeared.

Local authorities were sceptical about current publications on sector fraud figures and performance as there was a plethora of different numbers with no agreement or consensus. However, they remain keen to develop a consistent risk and performance methodology for the sector and for individual councils to estimate the potential risk they face on a consistent basis. Following the research for this strategy, a working group has been set up to develop methodologies for the sector to use.

b) The nature of the problem

In June 2019 the Government published its first Economic Crime Plan and included fraud and corruption in the definition.

The Government's Economic Crime Plan 2019

What is economic crime?

To help establish our partnership, we have agreed a common language across the public and private sectors regarding economic crime. We have used the following definition of economic crime to guide our efforts. Economic crime refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. This poses a threat to the UK's economy and its institutions and causes serious harm to society and individuals. It includes criminal activity which:

- allows criminals to benefit from the proceeds of their crimes or fund further criminality

- damages our financial system and harms the interests of legitimate business
- undermines the integrity of the UK's position as an international financial centre
- poses a risk to the UK's prosperity, national security and reputation

1.12 This definition is broader than terms such as 'financial crime' or 'white-collar crime' to provide a holistic response to the following types of criminality:

- fraud against the individual, private sector and public sector
- terrorist financing
- sanctions contravention
- market abuse
- corruption and bribery
- the laundering of proceeds of all crimes

For the purposes of this strategy we have retained the terms 'fraud' and 'corruption' while recognising that they are part of a wider agenda. The strategy has not been re-titled 'Economic Crime'.

c) Issues raised by stakeholders

During the workshops and research a number of barriers to effective working were raised – the main issues raised are below. Participants were asked how they would solve these issues and there were many ideas and opportunities presented. Local authorities are keen to play a part and influence the outcomes. Therefore a working group has been set up for each of these areas to assess the evidence so far, collect any further evidence and to report into the secretariat for the FFCL Board to consider. There is evidence to create an FFCL operational group from the current FFCL representative network. Further detail on how this will operate will be in the live Delivery Annex.

Recommendation: A single regional FFCL operational group should be formed from the existing FFCL regional representatives.

Fraud measurement

While recognising that the repercussions of fraud are wider than financial it is important that councils have an up-to-date estimate of what the figures and areas of risk appear to be. There are a number of different methods of calculating fraud losses, and these vary across regions. Moreover the fraud priorities differ across regions. External organisations present figures to the sector but there is little or no ownership of these within local authorities. Local authority attendees raised this lack of independent analysis and free benchmarking to look at areas in deep detail rather than reported figures on numbers of referrals or cases detected. Local authorities could use this analysis to make the business case to tackle fraud, understand fraud issues more closely and see a more detailed picture across boundaries.

Recommendation: A working group on measurement should be formed to develop a consistent risk and performance methodology for the sector.

Local authorities have agreed to work together to build a set of figures for use as an indicator of actual losses, prevention measures and fraud areas. In addition this group will look at the area of benchmarking. This work is underway and the working group is now formed and is in place.

Powers

Local authorities welcomed the introduction of the Prevention of Social Housing Fraud Act (PSHFA) and reported that it had improved accessibility to information and intelligence.

However, some issues on powers that had been raised previously had not been taken forward by any parties, as the PSHFA, had and have been exacerbated by

Case Study

An employee responsible for managing Ipswich Market and collecting stall rent from traders was prosecuted for theft of cash collected. The council's finance team identified an irregularity when it attempted to reconcile income received to income due. The theft was valued at £33,376 and totalled 91 thefts. The employee was given an 18-month prison sentence suspended for two years and ordered to carry out 250 hours of unpaid work in the community.

He was also ordered to pay £14,000 compensation to Ipswich Borough Council at the rate of £400 a month.

new fraud areas such as social care fraud where local authorities report it is difficult to obtain information. During the research local authorities have provided a number of examples across service areas where they cannot obtain information or access organisations in order to progress investigations.

There are a number of potential avenues to resolve these issues and local authorities have themselves suggested opportunities to resolve these. These issues need to be explored further to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud investigations. This will then enable the sector to lobby for the additional powers required.

Recommendation: A working group on powers should be formed.

Local authorities have agreed to work together to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud activity and identify what additional powers are required, what forms that should take and to examine the suggestions that have been collated. This evidence should then be used to lobby government to grant additional powers required. This recommendation is underway and the working group is now formed and is in place

Incentives

Local authorities welcomed the Counter Fraud Fund in 2015 which had been distributed by the then Department for Communities and Local Government

This fund was a one-off and there were good results that are detailed on the Local Government Association Counter Fraud Hub page. However, many local authorities did not have the opportunity to bid and some had lost resources. Local authorities reported that they did not have funds to set up dedicated teams or undertake proactive work, and offers of technology were expensive and often duplicated existing offerings. Local authorities have made some suggestions about ways in which counter fraud activity may be funded. Local authorities have put together ideas on what types of incentives could support improved activity.

Recommendation: A working group on incentives should be formed.

Local authorities have agreed to work together to indicate where incentives may be required from Government and what forms they may take and to examine the suggestions that have been collated in the research.

The working group is now formed and is in place and the work is underway.

Data analytics and matching

A number of data related initiatives exist which local authorities may take part in for example, counter fraud hubs. At the majority of workshops it was said that there is inconsistent advice, high pricing, lack of discussion with suppliers and difficulty filtering out what is useful from what is not. The National Fraud Initiative has two products which were highlighted as useful and these are the Fraud Hub and AppCheck. It was also reported that there were issues with data quality, data standards and a lack of quality assurance about products.

Recommendation: A working group should be formed to review existing data related initiatives available to local authorities and recommend best practice or new ideas.

Local authorities have agreed to form a working group to look at the area of data. A number of ideas have been put together and the group will consider these and what further activity is required. This group will need to decide what is in scope for this work as the issues raised are varied. This recommendation is underway and the working group is now formed and is in place.

Social care issues

At most workshops the area of social care fraud was raised. Social care fraud harms the community and vulnerable individuals who are unable to detect scams or fraud and are often unable to report them. Sometimes abuse of funds by family members or carers complicates the situation. This can include financial abuse of vulnerable persons, not just direct payments and personal budgets.

This area of fraud has emerged as a growing risk since the last strategy was published. The impact of this risk on already stretched social care services and budgets is potentially very significant. For this reason, organisations with relevant skills together with those local authorities that have developed good practice have offered to support work in this area of risk. Our research also highlighted a number of ideas about identifying and tackling some systemic vulnerabilities in this area. Local authorities should ensure fraud strategies are aligned with safeguarding responsibilities to ensure we actively protect the most vulnerable in our communities. Close working with social care teams will be required with joint approaches and planning.

Recommendation: A working group on social care fraud should be formed to look at how local fraud strategies should align to local authorities' safeguarding responsibilities as well as to identify best practice in countering risks relating to social care fraud.

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these and what further activity is required. This recommendation is underway and the working group is now formed and is in place.

“Investing to prevent fraud should be one of the early steps in building your counter fraud response. The repercussions of fraud can be far reaching. We have a duty to protect residents in our communities from fraud and we should work in collaboration with officers across the council and partner agencies to prevent fraud and safeguard the vulnerable. Fraud is not a victimless crime”.

*Clive Palfreyman, Executive Director Finance & Resources
London Borough of Hounslow*

d) The themes

In FFCL 2016 a number of themes were identified and while those are still relevant and supported during the research one in particular stood out: collaboration.

Collaboration

There is an appetite for collaboration across the sector and geographically. However, it does not apply solely to local authorities. There is a need for collaboration across sectors, local law enforcement and with suppliers and external organisations.

The current FFCL regional representatives' network functions well. However, there is still a gap where information does not flow. There are also links to law enforcement and both national and local bodies which if they were stronger would help support the fight against fraud. Some councils already participate in regional bodies that could easily be better connected. There is overwhelming support for the idea of more formal FFCL-linked groups. Local authorities requested FFCL regional group.

There is also the possibility of exploring the principle of placing an obligation on partner bodies to share information to assist the detection and prevention of fraud even if the fraud is not against the sharing body.

Furthermore, local authorities reported the need to be more formally linked into the national law enforcement bodies. During the research a number of issues and patterns appeared in workshops that have been raised with enforcement; this demonstrates the merits of a joined-up approach. The Chief Executive of Cifas currently chairs the Joint Fraud Taskforce as well as sitting on the FFCL board and this has enabled Cifas to raise issues with the National Economic Crime Centre about local authorities' fraud risks. Local authorities requested support for better links to the major bodies in enforcement.

It was noted that where support was offered from outside the sector this could lead to a lack of 'ownership' by local authorities and that, had they been consulted or asked to contribute, products and services might have had better take-up. In particular, the cost of external support was raised several times as a barrier to take-up.

Recommendation: A single FFCL regional operational group should be created using the existing network that can link to relevant boards and enforcement.

Activity

During the workshops local authorities agreed to join the existing FFCL regional groups with a representative who is able to form part of a regional FFCL operational group supported by an FFCL Strategic Advisory Board (the current FFCL board).

The North East Regional Investigations Group will form a pilot and link to wider local law enforcement. This has been agreed with that region and is in place.

The new FFCL Strategic Advisory Board should have a dotted-line link into the Joint Fraud Taskforce, which will give access to the main players in local law enforcement.

There is further detail on this in the Delivery Plan Annex with a diagram that outlines how operational issues may flow upwards. The new FFCL regional operational group should be initially chaired by one of the local authority experts from the FFCL Strategic Advisory Board.

Organising ourselves – a collaborative governance model

Local authorities involved in the workshops realised the need for a strategic board and were pleased that the FFCL board had been in place since 2010 with oversight and had stood the test of time. It was also noted that the board had changed in role several times as had the membership. The original board had been very active, the second board had been more of an oversight body and the current board was wider but less visible. Attendees at workshops raised questions regarding the governance of FFCL, the route for selection to the board and the seniority and expertise of the board.

Further detail is included in the Delivery Plan Annex

Attendees appreciated the support from the firms and private sector and did not object in any way to these board members. In particular, the rebuilt secretariat and the support for the conference and awards in 2019 were noted, as was Mazars' free support on toolkits.

Recommendation: It is recommended that a review of governance takes place in respect of the role of the current board in light of the FFCL regional operational group and links to the Joint Fraud Taskforce.

Further recommendations are detailed in the Delivery Plan Annex.

Case Study

The first social care fraud prosecuted by Veritau and City of York Council

Veritau investigated following a referral from a member of the public. This is the first prosecution of a social care fraud by the council's legal department and an area of development for the counter fraud team. Several prosecutions for social care fraud have been achieved before, but these were jointly investigated by the police and taken to court by the Crown Prosecution Service.

The defendant was the financial representative for his mother who received social care support funded by City of York Council. The council funded his mother's social care, and he failed to inform them when his parents' property sold in 2014. He subsequently lied about this on a financial assessment form. The £86,000 has been paid back to the council in full. Information was received that his parents' property had been sold in 2014 for £200,000 and he had not declared this to the council in an attempt to avoid paying for his mother's care fees. The investigation found that on two separate occasions in 2015 he informed the council that his parents were still joint owners of the property and that his father lived there. In a financial assessment for social care funding, jointly owned properties are disregarded if a family member continues to live there.

The counter fraud team worked alongside financial investigators from the council's trading standards team, who were able to obtain financial information which showed that £198,000 from the house sale was deposited into the son's bank account. This money should have been taken into account for his mother's social care funds, meaning that the council would not have had to pay £86,000 out of the public purse. As a result of the two teams working together, the man was billed and the entire loss has now been repaid to the council.

He pleaded guilty to two charges of fraud by false representation at York Magistrates' Court on 8 October 2019. The case was referred to York Crown Court for sentencing on 19 November where he received a 20-month suspended sentence and was ordered to do 80 hours of unpaid work. He was also ordered to pay court costs of over £1,100 and an £80 victim surcharge. When sentencing, the judge said that a significant factor in mitigation was that he had already repaid the £86,000 to the council.

e) Fraud risk areas

The research has highlighted the following types of fraud risks. These frauds are expanded on in the companion documents and the list below is a brief description:

Fraud risks raised in the research

<i>Social care fraud: personal budgets and direct payments</i>	overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims
<i>Schools</i>	most issues that were raised in the workshops were also raised as issues for schools. This area did not feature in FFCL 2016
<i>Right to buy</i>	fraudulent applications under the right to buy/acquire
<i>Money laundering</i>	exposure to suspect transactions
<i>Commissioning of services</i>	including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion
<i>Tenancy</i>	fraudulent applications for housing or successions of tenancy, and subletting of the property
<i>Procurement</i>	tendering issues, split contracts, double invoicing
<i>Payroll</i>	false employees, overtime claims, expenses
<i>Identity fraud</i>	false identity/fictitious persons applying for services/payments
<i>Council tax</i>	discounts and exemptions, council tax support
<i>Blue Badge</i>	use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees
<i>Grants</i>	work not carried out, funds diverted, ineligibility not declared
<i>Business rates</i>	fraudulent applications for exemptions and reliefs, unlisted properties
<i>Insurance fraud</i>	false claims including slips and trips
<i>Disabled facility grants</i>	fraudulent applications for adaptations to homes aimed at the disabled

“Fraud has not disappeared: it is ever present, evolving and affects the funding that is needed for frontline services. In many public sector bodies it is still an area where there is significant underinvestment, because they are not recognising the extent of the epidemic and seeing other priorities, particularly around service delivery, as more important. As fraudsters evolve, we must too. To these ends, through collaboration and intelligence sharing with a fraud prevention specialist service, we are ensuring that cases of fraud are not replicated across our partnership, mitigating controls are put in place and offenders are dealt with appropriately. Through our proactive intelligence-led approach we are taking steps to ensure the public purse is protected from all fraudulent activity.”

David Hill, Chief Executive South West Audit Partnership

Concessionary travel schemes – use of concession by ineligible person, including freedom passes

No recourse to public funds – fraudulent claims of eligibility

New responsibilities – areas that have transferred to local authority responsibility

Local Enterprise Partnerships – partnerships between local authorities and businesses. Procurement fraud, grant fraud. All LEPs should now be incorporated, with a local authority as accountable body, in a more formal and regulated relationship. Key issues are LEP governance, procedures for allocating/prioritising grants

Immigration – including sham marriages. False entitlement to services and payments

Cyber-dependent crime and cyber-enabled fraud – enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

However, during the research for this strategy it has become clear that some frauds have become more prevalent and that some risks have reduced. In addition, fraud risks were raised at several workshops about money laundering, suspicious activity reports and risks attached to local authorities becoming more commercial.

The details of these risks are included in the companions as these are seen as changing areas that may need frequent updating.

While the direct consequences of fraud may be financial and reputational loss there are wider impacts that surround the harm to victims locally and the harm in the community. Local authorities have raised a number of issues about protecting the vulnerable from fraud and this spans a large area. There are also other stakeholders in this local landscape who offer support to victims, have developed networks and done deeper research. A large number of volunteers have come forward from the workshops with good practice and a willingness to collaborate to prevent and tackle these issues. The main fraud risk area that has drawn attention is social care fraud. However, there are other frauds that may merit scrutiny.

Activity

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these, what further activity is required and if any wider work can be done.

Economic Crime Plan 2019

Economic crime touches virtually all aspects of society. Economic crimes range across the full breadth of criminality, ranging from low-level frauds through to sophisticated cyber-enabled market manipulation. Fraud is now the second most common crime type in England and Wales, with nearly every individual, organisation and type of business vulnerable to fraudsters.

f) Counter Fraud Capacity, Competence and Capability

In FFCL 2016 themes were identified in the areas of capacity, competence and capability as part of the 6Cs – see page 23. These issues still exist.

Despite the challenge around capacity, competence and capability and lack of dedicated resource it is clear that activities to tackle fraud across the sector are being pursued and having a positive impact. But demand and growth in the number of incidents of fraud reported nationally mean local authorities must focus on areas of fraud that they identify as posing greatest risk and adverse impact on their organisations and the vulnerable. Working collaboratively and sharing resources should be encouraged and the FFCL regional board should undertake an analysis of which local authorities may benefit from support and how this might happen.

Many local authority practitioners reported that their capacity to tackle fraud and corruption had been reduced as a result of austerity-related local authority funding reductions. In addition several workshops were attended by shared service representatives and reported that non-attendees no longer had counter fraud resources. In one workshop it was noted that eight councils did not have any resource but that a colleague in the revenue department of a neighbouring authority had been 'helping out' across them. There are also situations that require collaboration: for example, a district council pursues council tax and business rates fraud, but the main beneficiaries are the county council and the Government.

In many cases practitioners also reported that some of the skilled investigation resource had been transferred to the Department for Work and Pensions and had not been replaced. There were large disparities in respect of numbers of staff and skills.

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Many attendees were skilled and qualified. It was also clear that because a number of local authorities did not have access to a team they were not covering the full range of fraud activities. In contrast the workshops were well attended by experts who, while overloaded, were attempting to tackle all frauds but with one hand behind their backs. Very often they said they would be pleased to assist neighbouring councils but had no contact or requests. The FFCL regional board may assist with this and what support can be given.

In addition there were some parts of the country where the teams were not up to date with current local landscape issues or activities that would benefit them in their roles. At the FFCL 2019 conference questions were raised about free access to tools and

good practice and it was agreed to hold this in the Knowledge Hub, which is an independent, free tool that many local authorities already use. In addition some local authorities already have small networks in the Knowledge Hub that they could link to the FFCL pages. The Knowledge Hub has been open for FFCL since the summer and now contains the archive documents as well as details about other current issues.

Adult care services successful prosecution and repayment in full of fraud loss

The subject of this investigation was the husband of a Hertfordshire County Council service user in receipt of financial support to pay for daily care. He completed the financial assessment forms on behalf of his wife but failed to declare ownership of residential property that was rented out in the private sector.

The allegation originated from a social worker who had a 'gut feeling' that the couple had a second home and referred to matter to Herts' shared anti-fraud service.

The investigation found that the couple jointly owned three properties in addition to their residential home. All three properties were rented out and held equity.

The husband was interviewed under caution where he accepted ownership of the properties but denied any wrongdoing, stating that there was no capital in any of the additional homes and that he had been struggling financially since his wife became ill. As part of the enquiries conducted by the team a fourth property was identified abroad.

On 1 July 2019 at Luton Crown Court, he pleaded guilty to all three counts of fraud by false representation. He was sentenced to two years in prison, suspended for two years. The judge adjourned any financial sanction until the confiscation order was completed. A service decision was made in that had the financial assessment form been completed correctly and the additional property declared, the service user would have been deemed a self-funder and received no financial support for care. Therefore the loss to HCC was calculated as £75,713 and a future saving of £1,166 per week (£60,632 per year) was recorded.

The loss including interest was calculated to be £89,141, which he has paid in full.

Case Study

Collaboration on Protect and Pursue

A man was sentenced to 18 months' imprisonment, suspended for 18 months, after forging documents when applying for disabled persons' freedom passes and disabled persons' Blue Badges.

He was found guilty of 12 offences - nine at Brent, Enfield and Haringey councils. He then pleaded guilty to a further three charges of forgery at Waltham Forest Council.

A lengthy investigation, led by Brent Council's fraud team, discovered that the subject used fake birth certificates, utility bills and medical certificates to falsely present himself and others as disabled.

Brent Council worked with the other three local boroughs, who carried out their own thorough and professional investigations with Brent's support, to join up the charges that resulted in the successful verdict.

For the Brent, Enfield and Haringey offences he was sentenced to 18 months' imprisonment per offence for these nine offences to be served concurrently. The sentence was suspended for 18 months.

The man was sentenced to 12 months' imprisonment for each of the three Waltham Forest offences. This was also suspended and will be served concurrently with the 18-month sentence. He also needs to complete 20 hours of a rehabilitation activity requirement order.

Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to a focus on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated. Appendix 1 details what senior officers and members should focus on.

There is reluctance in some cases to report identified fraud, for example in press releases, for fear of presenting a negative impression of an authority. Reporting of successful outcomes is a powerful tool in prevention and deterrence.

It is important to embed a counter fraud culture and this requires a focus and leadership from the top. This requires having an appropriate resource in place. There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments and the private sector. They reported a range of difficulties in securing progress to working together.

Examples included counter fraud work not being consistently prioritised across the sector, lack of financial incentives to make the business case to collaborate, local lack of understanding of data protection rules, and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to get the police involved in their cases and that they did not receive feedback on cases from crime reporting hotlines.

During the research a number of incidents were highlighted that demonstrated patterns of activity, organised fraud and money laundering. These issues have been acted upon. However, it is important that local authorities have access to routes where they can report these matters. Local authorities are the eyes and ears of the community and have a wealth of data that can help other local law enforcement if legally

accessed but this communication is not happening everywhere. This collaboration would support the fight against serious and organised crime. If the recommendations about links between the operational board and the JFT are agreed this will start to resolve some of the issues in this section.

Recommendations:

The external auditor should highlight FFCL and its appendices to the audit committee in the annual report

The regional network should continue use the Knowledge Hub as a free, independent, non-commercial confidential space to share information. When it is live the secretariat should hand it to the FFCL operational board.

Local authorities should partner with neighbours and engage in regional networks and should consider sharing resources and expertise. The FFCL operational board should take the lead on this.

While this strategy covers fraud and corruption, no instances of corruption were raised at the workshops though it was clearly considered alongside fraud in local strategies. The Ministry of Housing, Communities and Local Government has conducted research on procurement fraud and corruption that will be added to

the live FFCL documents.

“Working in partnership has allowed the Veritau member councils to establish a dedicated corporate fraud team. The team offers each council access to fraud investigators with specialist knowledge of the fraud risks facing local government. The team has also helped each council to recover significant fraud losses, particularly in new and emerging areas like adult social care.”

Max Thomas, Managing Director Veritau

Case Study

Devon Audit Partnership

A social housing local landlord alleged that Mr P was potentially subletting his property illegally to an unentitled third party. Mr P was already in the process of applying for the right to buy his social housing property.

The subsequent investigation revealed evidence that Mr P's friend was subletting the property from him and had been for at least two years. It also confirmed that Mr P was living in a private rented property with his girlfriend less than two miles away.

Mr P constantly denied the allegations. However, at his interview under caution with the DAP counter fraud services team, after repeatedly lying, he admitted the overwhelming evidence proved he was letting his friend live at his social housing property but denied that he had done anything wrong.

Mr P was subsequently prosecuted and pleaded guilty at that point to two offences contrary to:

Prevention of Social Housing Fraud Act 2013 – in relation to the dishonest illegal sublet of a social housing property

Fraud Act 2006 – in relation to the dishonest attempt to fraudulently obtain a £39,600 discount on his right to buy.

Mr P was sentenced to 160 hours' unpaid work for each charge and ordered to pay Plymouth City Council £750 towards its costs. Judge Darlow stated at the end of the case: “It was fraud [and] the decision by Plymouth City Council to prosecute is to be applauded.”

Section 2: The Strategic Approach

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements to foster and improve collaboration across boundaries.

The recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support and leadership across all levels of local

government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

The key principles are laid out in the pillars and themes:



Govern

The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation. Beating fraud is everyone's business. The internal arrangements that are put in place should be communicated throughout the organisation and publicly available to demonstrate the culture and commitment to preventing fraud.

Without exception the research revealed an 'ask' that those charged with governance be directed to the strategy and that this become a key element. During the research for FFL 2011 and 2016 it was requested that some key points be laid out for those charged with governance in local authorities to make it simple for them to ensure fraud was being tackled. This request was repeated on numerous occasions during the workshops for FFCL 2020. Some basic questions are laid out at the end of the strategy in Appendix 1.

The supplements to this strategy lay out some key stakeholders, their roles and the areas that they should consider when evaluating the counter fraud efforts in their organisations.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

Acknowledge

In order to create a counter fraud response an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource to tackling fraud.

This means undertaking a risk assessment of fraud areas and vulnerabilities and then agreeing an appropriate resource. Not every local authority requires a large team but they should have assessed the risk, have a plan to address it and have access to resources with the right capabilities and skills.

Prevent

Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Local authorities should set in place controls to prevent fraudsters from accessing services and becoming employees. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users. If someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds. In any case they may not have the training or qualifications to perform the job to the required standard.

Case Study

Fraud Hub Hertfordshire County Council

Hertfordshire County Council and a number of its neighbouring authorities are taking the next step to protect themselves by sharing intelligence in a newly formed FraudHub from the National Fraud Initiative to ensure they can reveal the full extent of fraudulent activities within their region.

Results so far have been extremely positive for Hertfordshire with over...

- *3,000 Blue Badges cancelled*
- *3,000 concessionary travel passes being revoked*
- *120 LG pensions or deferred pensions stopped*
- *182 Direct Payments or personal budgets for adult care being stopped/reduced or reviewed*
- *15 residential care placements being cancelled*
- *23 payroll discrepancies being subject to further investigation*
- *50,000 customer records removed from database alone using mortality data*
- *More than £5m in estimated savings in its first 12 months*

Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response on sanctions and collaboration.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

A further theme has appeared during the research to link with the government strategy but also recognising the increased risks to victims and the local community.

Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cyber-crime and also protecting itself from future frauds. This theme lies across the pillars of this strategy.

From the research it is clear that a large number of local authorities use the FFCL initiative as a basis for local plans. Some local authorities have embedded the pillars into operational work. An example of how this has been done is included in the Annexes.

Case Study Pursue

Subletting Case Study Westminster City Council – unlawful profits

The council investigated following an anonymous tipoff that the tenant of a council property was not using the address as required by their tenancy and was profiting from the short-term letting of the property using Airbnb.

Searches of Airbnb carried out by the investigator found the property, which is a studio flat, advertised as a whole property with over 300 reviews. The council investigator found that even though the listing was not in the tenant's name, some of the reviews mentioned the tenant by his name, thanking him for his advice and local restaurant recommendations.

The council obtained the tenant's bank statements under the provisions of the Prevention of Social Housing Fraud Act using the authorised officer service provided by the National Anti-Fraud Network. The investigator subsequently found credits totalling over £125,000 covering four years.

All payments were credited from Airbnb, PayPal or Worldpay. When investigators visited the property they found a man at the premises who denied being the tenant even though his appearance matched the tenant's description. The next day the adverts had been removed from Airbnb but the investigator

had already retrieved and saved copies.

The tenant failed to attend several interviews under caution, but when possession action began his solicitors asked for a further opportunity for their client to be interviewed under caution to provide an account of events. This was agreed but again the tenant failed to attend the interview. Having applied the Code for Crown Prosecutors to the facts of the case and the defendant's personal circumstances, criminal action was not taken.

At the possession hearing, the District Judge said the Airbnb evidence was strong and that there was no distinction between 'short-term let' and subletting the home. The judge found in favour of the council. At an unsuccessful appeal hearing the judge agreed to the council's unlawful profits order of £100,974.94 – one of the highest that has ever been awarded to the council.

The tenant has now been evicted from the property.

Fighting Fraud and Corruption Locally – embedding the pillars

Durham County Council's counter fraud and corruption team has embedded many of the themes to create a robust approach. They have set up partnerships across sectors and regions, created a data hub and used the FFCL strategy to inform all of their work. The audit committee has supported the team and attended the FFCL awards in 2019.

DCC believes the best defence is to create a strong anti-fraud culture based on zero tolerance to deter fraud from being committed. It has reinforced this with a new corporate fraud sanction policy.

Norwich City Council adopted the FFCL pillars into its anti-fraud and bribery strategy in 2017 with the additional pillars of governance (similar to the NHS model). This has had a positive response from council executives and members including the audit committee. The annual report contains a RAG-rated review against the criteria set out in the local strategy and an activity plan based on the criteria each year to demonstrate progress and highlight areas to focus on.

A more detailed explanation of these is in the Annexes.

The Themes – Six Cs

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. In the 2016 Strategy six themes were identified and during the research the workshop attendees were keen that these remain part of the strategy document.

Local authorities should consider their performance at a minimum against each of the six themes that emerged from the research conducted. To ensure this is effective and proportionate local authorities should benchmark this information where possible.

The themes are:

Culture – creating a culture where fraud and corruption are unacceptable and that is measurable

Capability – assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate

Capacity – deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance

Competence – having the right skills and standards commensurate with the full range of counter fraud and corruption activity

Communication – raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes

Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

Making the business case:

Investing in counter fraud activity –

Local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses.

Local authorities do not, as a rule, explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems. However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

The moral case – fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they achieve wider benefits for the community. For example, adult social care sits within the precept for council tax and reducing fraud in this area means that taxpayers' money is protected and is an incentive.

Case Study

An interim manager hired vehicles for personal use covering at least nine different vehicles and costing more than £18,000. The fraud included various invoice frauds for gardening services and over £20,700 paid to the interim manager's account.

In total the interim manager's actions resulted in monies, goods or services with a total value of £60,882.16 being ordered or obtained at a cost to the council from seven suppliers, including false invoices purporting to be from a gardening company.

Thirty-one fraudulent invoices were introduced by the interim manager totalling over £48,000 and were processed, authorised and paid using the council's systems. A further eight invoices totalling

more than £7,000 were subsequently authorised by the interim manager's line manager for liabilities incurred by the interim manager. Employee purchase cards were used to pay for goods worth over £1,270 and the interim manager personally benefited by £4,000 from the compensation payment and over £20,780 from the fraudulent invoices he submitted from the gardening company.

The fraud was discovered via a whistleblowing referral to audit services

The council's investigation found that the maintenance company with the same bank account as the interim manager's company did not exist. The council's audit services department led an investigation with the police to take the matter to Birmingham Crown Court where the interim manager pleaded guilty to Fraud Act offences. He was sentenced to three years' imprisonment on 25 September 2019.

Section 3: Turning Strategy into Action

The Delivery Plan

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements and foster and improve collaboration across boundaries.

The set of recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support across all levels of local government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

Further details on governance and recommendations are in the Delivery Plan Annex.

Section 4: The Local Response

Appendix 1

What should senior stakeholders do?

The chief executive

1. Ensure that your authority is measuring itself against the checklist for FFCL
2. Is there a trained counter fraud resource in your organisation or do you have access to one?
3. Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?

The section 151 officer

1. Is there a portfolio holder who has fraud within their remit?
2. Is the head of internal audit or counter fraud assessing resources and capability?
3. Do they have sufficient internal unfettered access?
4. Do they produce a report on activity, success and future plans and are they measured on this?

The monitoring officer

1. Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?
2. Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?

The audit committee

1. Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work
2. Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured
3. Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud
4. Should support proactive counter fraud activity
5. Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

The portfolio lead

Receives a regular report that includes information, progress and barriers on:

- The assessment against the FFCL checklist
Fraud risk assessment and horizon scanning.

Appendix 2

FFCL Checklist

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.
- The relevant portfolio holder has been briefed on the fraud risks and mitigation
- The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
 - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
 - register of interests
 - register of gifts and hospitality.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended

- in FFCL 2020 to prevent potentially dishonest employees from being appointed.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
- There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.
- There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
- Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.
- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
- Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
- There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.
- All allegations of fraud and corruption are risk assessed.
- The fraud and corruption response plan covers all areas of counter fraud work:
 - prevention
 - detection
 - investigation
 - sanctions
 - redress.
- The fraud response plan is linked to the audit plan and is communicated to senior management and members.
- Asset recovery and civil recovery are considered in all cases.
- There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.
- There is a programme of proactive counter fraud work which covers risks identified in assessment.
- The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.

- The local authority shares data across its own departments and between other enforcement agencies.
- Prevention measures and projects are undertaken using data analytics where possible.
- The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.
- The counter fraud team has access to the FFCL regional network.

There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.

The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.

The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:

- surveillance
- computer forensics
- asset recovery
- financial investigations.

Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.

Section 4

The Fighting fraud and Corruption Locally board would like to thank

The Fighting Fraud and Corruption Locally board is:

Charlie Adan – Chief Executive and SOLACE
 Bevis Ingram – LGA
 Andrew Hyatt – Royal Borough of Kensington and Chelsea
 Mike Haley – Cifas and Joint Fraud Taskforce
 Rachael Tiffen – Cifas and secretariat
 Suki Binjal - Lawyers in Local Government
 Colin Sharpe – Leicester City Council
 Clive Palfreyman – LB Hounslow
 Trevor Scott – Wealden District Council
 Alison Morris – MHCLG
 Mark Astley – NAFN
 Paula Clowes – Essex County Council
 Simon Bleckly – Warrington Council
 Karen Murray – Mazars
 Paul Dossett – Grant Thornton
 Marc McAuley – Cipfa

The Board would like to thank Cifas for managing this process, for the delivery of the research and the drafting of this document.

Regional Workshops

Around 260 councils attended workshops organised in the following areas:

East Anglia
SouthWest, Devon, Plymouth, Cornwall and Devon
Kent
London and the South East
Essex
Hertfordshire and Home Counties
Midlands Fraud Group and Chief Internal Auditors and County Networks
North West Fraud Groups
Yorkshire Groups
North East and North Regional Fraud Group

The Fighting Fraud and Corruption

Locally board wishes to thank:

Andrea Hobbs
Colin Sharpe
Debbie Dansey
Helen Peters
James Flannery
Jamie Ayling
Jacqui Gooding
David Hill
Max Thomas
Jonathan Dodswell
Hannah Lindup
Shelley Etherton
Gary Taylor
Nick Jennings
Ken Johnson
Mark O'Halloran
Paul Bicknell
Lauren Ashdown
Steven Graham
Matt Drury
Gillian Martin
Sara Essex
Sally Anne Pearcey
Paula Hornsby
Rachel Worsley
Nikki Soave
Francesca Doman
Andrew Reeve
Jason Pengilly
Paul Bradley
Professor Alan Doig
Sean Turley
Neil Masters
Dan Matthews
Scott Reeve
Corinne Gladstone
Louise Baxter
Keith Rosser
Ben Russell
Philip Juhasz
Paddy O'Keefe
Mark Wilkes

Andrew Taylor
Neil Farquharson
Steven Pearce
Lucy Pledge
Sheila Mills
Jamey Hay
Kerrie Wilton
Michael Skidmore
Oliver Day
Carol McDonnell
Nici Frost-Wilson

Special thanks go to:

The researchers and drafters:

Rachael Tiffen – Cifas
Paula Clowes – Essex County Council
Andy Hyatt – Royal Borough of Kensington and Chelsea

**

And all those who attended the workshops, provided feedback, responded to surveys and who took up the actions after the workshops.

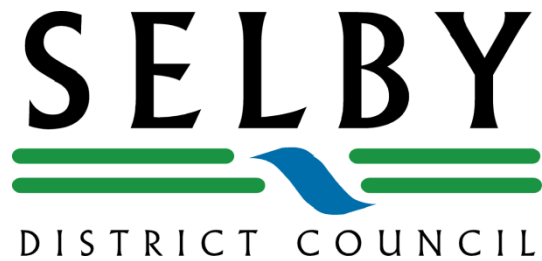
Section 5

Glossary and documents

NAFN – National Anti-Fraud Network
CIPFA – Chartered Institute of Public Finance and Accountancy
Cifas – UK's fraud prevention service
NECC – National Economic Crime Centre
NCA – National Crime Agency
MHCLG – Ministry of Housing, Communities and Local Government

ONS: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud
www.gov.uk/government/publications/economic-crime-plan-2019-to-2022
National Fraud Authority, Annual Fraud Indicator, March 2013
National Fraud Authority - Good practice publication: www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/
Economic Crime Plan 2019: www.gov.uk/government/publications/economic-crime-plan-2019-to-2022
Eliminating Public Sector Fraud: www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf
Smarter Government: www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report
Local Government Association Counter Fraud Hub: www.local.gov.uk/counter-fraud-hub
Veritau: veritau.co.uk/aboutus
SWAP Internal Audit Services: www.swapaudit.co.uk
Devon Audit Partnership: www.devonaudit.gov.uk

This page is intentionally left blank



COUNTER FRAUD & CORRUPTION STRATEGY

2020 - 2023

Forward by the Chief Executive

Selby District Council has set ambitious goals to improve both the organisation and the district for the residents, businesses and visitors we serve. We are funded through council tax, business rates, housing rents and other sources. We recognise that to achieve our aims in a climate which requires savings to be made, these funds must be protected and used appropriately.

The Council Plan 2020-30 highlights our key ambitions and our approach to delivering these. We want to ensure Selby district is a great place to **LIVE, ENJOY** and **GROW** while making sure the council delivers **GREAT VALUE**. To achieve this we have determined a number of priority areas including affordable homes, community safety, attracting new businesses and investment, and maximising value for money. Money lost to fraud is funding that cannot be spent on providing services and investing in our future.

Selby District Council have been recognised on the national stage for good practice. We want our approach to fraud to continue this trend. We have a clear and straightforward message – the Council will not tolerate any fraud or corruption against it.

This strategy sets out the measures the Council will take to develop its arrangements to tackle fraud and corruption. We will seek to identify areas where fraud may occur and limit opportunities for fraudsters to exploit the Council. Where fraud is suspected we will investigate robustly, and where it is proved will utilise all measures available to us to deal with criminals and recover any losses.

Janet Waggott
Chief Executive

Introduction

- 1 All organisations are at an increasing risk of fraud and corruption. In 2018 the number of fraud offences rose by 12% to 3.6 million which equates to one third of all crimes in the UK.¹ The most recent report into the cost of fraud against local authorities estimates it as being as high as £7.8 billion (total fraud against the UK public sector is estimated to be £40.4 billion).² The risk of fraud continues to grow and where fraud used to be undertaken at a local level it increasingly originates nationally and internationally.
- 2 The full and final effects of the Covid-19 pandemic are not known at the time of writing this strategy, however, there has already been a considerable impact on local authorities. The Council has had to make changes to the way it works in order to provide effective services for its citizens and to achieve its overall aims. The Council have been tasked with distributing a number of central government funded grants and payments designed to support business and residents impacted by Covid-19. Government departments have required the council to implement suitable counter fraud measures to protect these public funds. Unfortunately attempts by organised criminals have targeted local authorities regionally and nationally alongside local opportunistic individuals. It is essential that the Council minimises losses caused by fraud to maximise the money it has available to provide services.
- 3 This strategy outlines how the Council will assess the risks of fraud and corruption that it faces, strengthen its counter fraud arrangements, and tackle fraud where it occurs. It has been prepared to reflect the national collaborative counter fraud strategy for local government in the UK, Fighting Fraud & Corruption Locally – A Strategy for the 2020s.
- 4 The strategy has been reviewed by the Audit and Governance Committee as part of its responsibility for considering the effectiveness of anti-fraud and anti-corruption arrangements at the Council. The strategy and action plan are reviewed annually.

Our aim

- 5 Fighting Fraud & Corruption Locally recommends Councils consider the effectiveness of their counter fraud framework by considering performance against the four key themes set out below. The Council's aim is that by 2023 it will have maintained and improved its arrangements in these areas.
 - **Govern** – Ensure that the Council has robust arrangements and executive support to ensure that anti-fraud, bribery and corruption measures are embedded throughout the organisation.

¹ Economic Crime Plan 2019-2023, HM Government

² Annual Fraud Indicator 2017, Crowe Clark Whitehill

- **Acknowledge** – Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent** – Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue** – Punishing fraudsters and recovering losses, developing capability and capacity to investigate fraudsters.

Current arrangements and action required

- 6 The Council already has good arrangements in place that satisfy many of the recommendations made in the new national strategy. For example:
- The Council has a strong counter fraud policy framework in place (e.g. counter fraud and corruption, whistleblowing, and anti-money laundering policies) which are embedded throughout the organisation.
 - The risk of fraud is considered annually and this assists in setting priorities for counter fraud work.
 - Control environments in high risk areas (e.g. financial systems) are regularly scrutinised by internal and external audit.
 - Technology is used to detect fraud.
 - The Council employs trained counter fraud professionals to investigate fraud and does not hesitate to take strong action where warranted.
- 7 However, as the capability and capacity of the Council to prevent and detect fraud has increased, so has the ability and reach of fraudsters. It is easier today for a criminal to commit fraud remotely than it was when the last Council counter fraud strategy was adopted. It is therefore important to continue to develop counter fraud arrangements to meet this evolving threat.
- 8 The national Fighting Fraud & Corruption Locally strategy (see checklist at Appendix 2 of the national strategy) recommends that councils should promote an anti-fraud culture within the organisation through regular training sessions with staff; updating them on new and emerging threats. Councils should share counter fraud news and results internally through a strategy endorsed by its communications team. Councils should continue to develop their use of technology, e.g. data analytics and matching exercises, to help prevent and

detect fraud. All of these recommendations are now actions in the Counter Fraud and Corruption Strategy Action Plan.

- 9 The Fighting Fraud & Corruption Locally board has formed a number of working groups across the country to look at different areas of counter fraud work to make recommendations to the board. The board may then convey these recommendations to central government. It is recommended that Councils participate in these working groups regionally and nationally to promote counter fraud work.
- 10 During the past four years, over the lifespan of the previous counter fraud strategy, the Council's counter fraud framework has been strengthened to meet national guidelines. Individual actions have been agreed annually and there are a number of ongoing activities that now happen as a matter of course. Details of actions completed under the previous strategy are contained in Annex 2.
- 11 A new Counter Fraud and Corruption Strategy Action Plan has been created and is detailed in Annex 1. It comprises ongoing activity established under the previous strategy, outstanding actions from the previous strategy and new actions linked to this strategy suggested by Fighting Fraud & Corruption Locally strategy.

The counter fraud policy framework

- 12 This strategy is part of the Council's overall framework for countering the risks of fraud and corruption. Further detailed information can be found in other policies and procedures including:
 - Counter Fraud and Corruption Policy - this sets out responsibilities for counter fraud and investigation work, the actions the Council will take in response to fraud, and its policy on sanctions.
 - Anti-Money Laundering Policy - defines council responsibilities in respect of the Proceeds of Crime Act 2002 and Money Laundering Regulations 2007.
 - Whistleblowing Policy - arrangements for Council staff to raise concerns; confidentially if required.
- 13 The strategy also links to, and is supported by, wider Council policy and procedures covering areas such as:
 - governance
 - employee disciplinary arrangements
 - codes of conduct
 - registers of interest
 - financial regulations

- electronic communications
- information security
- cyber security

Annex 1: Counter Fraud and Corruption Strategy Action Plan

New Objectives:

Page 159

Ref	Action Required	Target Date	Responsibility	Notes
1	Undertake post assurance checks on grant applicants to the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund Schemes.	March 2021	Veritau / Revenues Department	In line with Government guidance, work with Revenues Department to carry out post assurance checks on those who received £10k and £25k Covid-19 grants to identify any fraud and error.
2	Develop communication strategy to publicise counter fraud and corruption news internally.	March 2021	Veritau / Communications Team	Liaise with the communications team to ensure that members of staff are regularly kept informed of counter fraud news and developments.
3	Ensure that up to date policies are in place to enable the council to undertake covert surveillance under the Regulation of Investigatory Powers Act and employee monitoring outside of the Act.	April 2021	Veritau / Legal Department	Covert surveillance and employee monitoring are powerful tools that assist in the investigation of fraud and criminality against and within the council. Up to date policies are necessary for the council to be able to undertake these actions. The counter fraud team will review Council policy and recommend changes to ensure that action can be taken should the need arise.
4	Establish a process for use of new powers under the Investigatory Powers Act.	April 2021	Veritau / Legal Department	Use of the new Investigatory Powers Act powers requires the appointment of an internal authorising officer and a potential update to the Regulation of Investigatory

Ref	Action Required	Target Date	Responsibility	Notes
				Powers Act policy.
5	Create a new data protection impact assessment to enable further data matching at the Council.	June 2021	Veritau / Service departments	An updated data protection impact assessment is required to undertake additional and new data matching at the Council.
6	Participate in Fighting Fraud and Corruption Locally working groups.	September 2021	Veritau	Attend regional and national working groups and report developments to the Audit and Governance Committee.
7	Increase use of the National Anti-Fraud Network (NAFN) services across the council.	September 2021	Veritau	Veritau to promote use of NAFN services to help council departments identify fraud and recover losses.

Ongoing Activity:

Ref	Action Required	Responsibility	Update	Status
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the council and sets overall counter fraud aims. The strategy should link together existing counter fraud related policies and set out actions required for developing counter fraud arrangements.	Chief Finance Officer / Veritau	The strategy, which was first introduced in 2017. A new counter fraud strategy has been written following the release of an updated Fighting Fraud and Corruption Locally Strategy for local government in 2020.	Annual Review
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflecting changes to the councils counter fraud arrangements.	Chief Finance Officer / Veritau	An updated policy was presented to the Audit Committee in January 2017 for comment. The policy was subsequently approved by the Executive in April 2017. The policy has been reviewed as part of this report. It was updated in 2021 to reflect new guidance from the Attorney General.	Annual Review
3	Undertake a counter fraud risk assessment.	Chief Finance Officer / Veritau	A risk assessment was first undertaken in September 2016. The risk assessment is updated on an annual basis, see appendix C for 2021 update.	Annual Review
4	Participate in regional & local data matching and counter	Veritau	Data matching exercises are undertaken on a rolling basis. The	Ongoing

Ref	Action Required	Responsibility	Update	Status
	fraud exercises.		counter fraud team routinely work on data matching projects to increase the identification of any fraud committed against the council.	
5	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	Veritau	Training is delivered on a rolling basis depending on priorities and emerging fraud risks. Fraud awareness training has been delivered to the housing department this year.	Ongoing
6	Review privacy notices to ensure they make clear that data will be shared for the purpose of preventing and detecting fraud.	Veritau / Service departments	Privacy notices are reviewed ahead of providing data to the Cabinet Office as part of the National Fraud Initiative (NFI) which occurs every two years.	Ongoing
7	Raise awareness of cyber security issues and promote good practice.	Veritau	Veritau will monitor guidance from the National Cyber Security Centre and share with members of staff where appropriate.	Ongoing

Annex 2: Completed Activities from Counter Fraud and Corruption Strategy 2017-20

Page 163

Ref	Action Required	Target Date	Responsibility	Update
1	Regularly report to the Audit and Governance Committee on counter fraud activity.	January 2017	Veritau	Regular reporting to the committee on fraud activity was introduced in 2017. Four progress reports and one annual policy review are produced for the committee annually.
2	Review wider governance and other policies (e.g. employee related policies, gifts, interests, financial regulations) to ensure they: <ul style="list-style-type: none"> cover all required areas (e.g. anti-bribery) are consistent with the counter fraud strategy and policy. 	March 2017	Veritau	Council policies are regularly reviewed in the course of Internal Audit work. Reviews to date have not highlighted any potential weaknesses.
3	Launch and promote regional fraud hotline.	September 2017	Veritau	A new 0800 regional fraud hotline number was introduced in 2017.
4	Review council recruitment processes.	September 2018	Veritau	A review of recruitment processes was completed in 2018/19 and found to be robust.
5	Improve prevention and detection strategies for Right to	March 2020	Veritau / Service departments	Working with the housing and legal departments, the counter fraud team have

Ref	Action Required	Target Date	Responsibility	Update
	Buy Fraud			helped to institute a new system of checks on Right to Buy applications to help prevent fraud in this area.
6	Monitor and review upcoming changes to the council tax support (CTS) scheme.	April 2021	Veritau	The council have now moved to a 'banded scheme'. There has been liaison with Veritau around counter fraud measures and any concerns of fraudulent claims will continue to be investigated by the counter fraud team.

Selby District Council - Fraud Risk Assessment (January 2021)

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Council Tax & Business Rates Frauds (discounts and exemptions)	<p>Council Tax fraud can be a common occurrence. CIPFA report that 81% of all local government related fraud, recorded as part of their annual survey, involved Council Tax or Business Rates payments. Single Occupancy Discount fraud accounted for £19.4m of loss due to fraud in 2018/19 according to the survey.</p> <p>Depending on the scheme, there are several ways in which fraud can occur. These include applicants providing false information and recipients failing to notify the Council when they no longer qualify.</p> <p>Revenue from Council Tax and Business Rates is a key income stream. Fraud in this area threatens this source of funding.</p>	<p>The Council employs a number of methods to help ensure only valid applications are accepted. This includes requiring relevant information on applications forms and visits to properties (where necessary).</p> <p>Controls including separation of duties between collection and administration, restriction of access to records and management oversight of action such as recovery suppressions help prevent internal fraud and error.</p> <p>Messages reminding residents and businesses to update their circumstances when necessary appear on annual bills issued by the Council.</p> <p>The Council routinely takes part in the National Fraud Initiative. In addition, the council conducts periodic Single Person Discount reviews through a specialist provider and is seeking to move to a continuous monitoring system.</p>	High	<p>Counter fraud team will raise fraud awareness with staff in revenues and customer services teams about frauds affecting Council Tax and Business Rates.</p> <p>An audit of the service is taking place in 2020/21. This will help to monitor the effectiveness of the controls in place.</p> <p>The counter fraud team has developed data matches to detect incorrectly received discounts and exemptions. These will be undertaken as required.</p>
Council Tax	Council Tax Support is a council	The Council undertakes eligibility	High	Fraud concerns are reported to the

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Support Fraud	<p>funded reduction in liability introduced in 2013 to replace Council Tax Benefit. Unlike its predecessor, Council Tax Support is resourced entirely through Council funds. CIPFA's fraud tracker showed an 18% increase in the value of fraud in this area found in 2018/19.</p> <p>Frauds in this area can involve applicants failing to declare their total assets, correct household composition or household income. Those receiving support are also obligated to notify relevant authorities when they have a relevant change in circumstances that may affect their entitlement to support.</p> <p>Covid-19 has resulted in an increase nationally for benefits and support claims. These increased numbers raise the number of claims in which changes in circumstances may not be reported or false information could be presented to the Council.</p> <p>Fraudulently obtained Council Tax Support represents a loss of Council funds.</p>	<p>checks on those who apply for support. There are established lines of communication with the Department for Work and Pensions where claims for support are linked to externally funded benefits.</p> <p>The Council is able to report Housing Benefit and other benefit frauds to the Department for Work and Pensions but this does not necessarily allow the Council control over resolving false claims for Council Tax Support.</p>	High	<p>counter fraud team who determine if criminal investigation is required. The counter fraud team can undertake joint working with the Department for Work and Pensions where it is mutually beneficial (e.g. joint claims for benefit).</p> <p>The Counter Fraud Team will continue to raise awareness with relevant staff.</p>
COVID-19 Grants	<p>In response to the Covid-19 pandemic, central government initially</p>	<p>The council processed over 1550 grant claims for the government's</p>	High	<p>Any instances where an applicant provided false information to the</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>made funding available for local businesses. Several schemes were created and administered by councils; some were linked to business rates liabilities while others were to assist those outside this scope. The Council had to respond quickly to support businesses and relevant government guidance was not always timely. New processes for managing applications and paying grants also had to be set up quickly.</p> <p>Further schemes were introduced to provide support to businesses during the Covid-19 tier system. In addition, schemes were introduced to aid residents unable to work due to self-isolation requirements and support families with children or vulnerable adults.</p> <p>These schemes have been subject to attempted fraud at a local, national and international level due to the significant funds available (up to £25k per application).</p> <p>While funding is provided by central government, the Council is charged with responsibility for identifying genuine applicants and investigating</p>	<p>Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, and Local Authority Discretionary Grant Fund. Checks by Council officers were made into each application to make sure they met the criteria set by government and that payments were being made to the correct people. Applications for ongoing business and resident support schemes continue to be carefully assessed by council officers before payment.</p> <p>The counter fraud team have circulated details of all known frauds occurring regionally and nationally to help prevent the Council falling victim to fraud.</p> <p>The Council provides monthly updates on payments made, fraud/error identified and the status of any resultant recovery work to the Department for Business, Energy & Industrial Strategy.</p>		<p>Council are reported to the counter fraud team. Where appropriate, criminal investigations can take place. The Department for Business, Energy & Industrial Strategy have stated that Councils should conduct investigations where they have resources available.</p> <p>If the Council is targeted by a national fraud, this is reported to the National Investigation Service (NATIS) via the counter fraud team. The counter fraud team will continue to work with external agencies as required.</p> <p>The counter fraud team has undertaken a post-payment assurance exercise on the initial business schemes and will continue to support post assurance work on later payments. Additionally, the Council will be taking part in the National Fraud Initiative in 2020/21 which will include data matches relating to grant payments.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>and recovering incorrect payments. The Council therefore needs to show that suitable assurance and recovery actions have taken place.</p>			
<p>Creditor Fraud</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 168</p>	<p>A range of frauds can be committed against the Council as a result of publically available creditor payment data. Criminals undertaking these types of fraud are often found to be operating from overseas.</p> <p>The most common issue is mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in banking details. Other types of fraud in this area include whaling, where senior members of the Council are targeted and impersonated in order to obtain fraudulent payments. With increased remote working due to Covid-19, there are increased opportunities for fraudsters to impersonate budget holders or suppliers in electronic communications, to divert funds.</p>	<p>The Council has a number of controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details. This includes contacting companies to confirm that any requested change of bank account details for payments is genuine.</p> <p>Segregation of duties exist between the ordering, invoicing and payments processes.</p>	<p>High</p>	<p>The counter fraud team undertake work to raise staff awareness of these types of frauds. Increased awareness provides greater chances of stopping fraudulent attempts before losses occur.</p> <p>All instances of whaling fraud reported to the counter fraud team will be reported to the police's Action Fraud Unit, National Cyber Security Centre and directly to internet service provider from which the false emails originated.</p> <p>The counter fraud team share intelligence on any attempted frauds occurring nationally to ensure the council can prevent losses.</p> <p>Internal audit undertake periodic reviews of the controls and work is planned for 2020/21.</p>
<p>Cybercrime</p>	<p>Cybercrime is a constantly evolving</p>	<p>North Yorkshire County Council</p>	<p>High</p>	<p>Raising awareness with staff can</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>area. Criminals are continually refining their techniques in order to overcome controls put in place to protect organisations.</p> <p>Types of cybercrime experienced by local authorities in recent years include ransomware, phishing, whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds, data loss, or access to systems being compromised.</p> <p>Councils hold a range of data on residents which can be attractive to criminals. A council in the North East suffered a major cyberattack in early 2020. This resulted in disruptions to services over many months, as well as significant costs to restore systems.</p>	<p>provides ICT services for the Council. Working with a larger organisation who have highly skilled ICT professionals helps mitigate the threat of cybercrime.</p>		<p>be crucial in helping to prevent successful cyberattacks. Any counter fraud training delivered will reinforce anti-cybercrime messages to members of staff.</p> <p>All instances of cybercrime and related fraud will be reported to the police's Action Fraud Unit and the National Cyber Security Centre.</p>
Procurement Fraud	<p>Procurement fraud has been perceived as a high risk by local authorities in the CIPFA fraud tracker for a number of years.</p> <p>Procurement fraud, by its nature, is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority estimates that</p>	<p>The Council has established Contract Procedure Rules. The rules are reviewed annually and ensure the requirement for a competitive process (where required) through an e-tender system. A team of procurement professionals provide guidance and advice to ensure that procurement processes are carried out correctly.</p>	High	<p>Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. The counter fraud team will continue to provide training to raise awareness of fraud risks in this area.</p> <p>Counter fraud team and Internal Audit will monitor guidance on fraud detection issued by the</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>having a cartel within a supply chain can raise prices by 30% or more.</p> <p>CIPFA reported losses of £20.3 million in 2018/19 for local authorities, due to procurement fraud. It found that 12% of fraud detected in this area involved 'insider fraud' and 5% involved organised crime.</p> <p>In response to the effects on businesses as a result of Covid-19, the government issued a Procurement Policy Notice in February 2020. This introduced a supplier relief scheme to support Council suppliers during and after the outbreak to ensure service continuity. The Council has the responsibility for ensuring this relief is correctly applied.</p>	<p>A tendering and evaluation framework is in operation to help prevent fraud. It also sets out the requirements for declarations of interest to be made.</p> <p>Contract monitoring is implemented to help detect and deter fraud.</p> <p>Internal audit issued a guidance document recently and have offered further support in relation to the new supplier relief scheme.</p>		<p>Competition and Markets Authority and other relevant bodies.</p> <p>Audit work in this area is undertaken regularly with an audit taking place in 2020/21.</p> <p>Potential abuses of the supplier relief should be reported to the counter fraud team for further investigation. Internal audit will provide further support with the Council's supplier relief process.</p>
Theft of Assets	<p>The theft of assets can cause financial loss and reputational damage. It can also negatively impact on employee morale and disrupt the delivery of services. The Council owns large numbers of physical items, such as IT equipment, vehicles and tools.</p> <p>Reduction of staff at Council premises during the Covid-19 outbreak could leave equipment at heightened risk of</p>	<p>Specific registers of physical assets (e.g. capital items, property and ICT equipment) are maintained. In addition, there are registers for information assets held by the Council.</p> <p>The Council's whistleblowing arrangements provide an outlet for reporting concerns of theft.</p>	High	<p>Members of staff should also be vigilant and report all possible thefts promptly to the Police and counter fraud team.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>theft. Unauthorised access to buildings may not face the same level of visibility or challenge as would be the case in normal conditions.</p>			
<p>Internal Fraud</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 171</p>	<p>There are a range of potential employee frauds including falsifying timesheets and expense claims, abusing flexitime or annual leave systems, undertaking alternative work while sick, or working for a third party on Council time. Some staff have access to equipment and material that may be misused for private purposes.</p> <p>Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.</p> <p>Corruption and bribery is a significant risk to all public sector organisations, however, only low levels have ever been detected.</p>	<p>The Council has an established whistleblowing policy through which concerns can be raised.</p> <p>Controls are in place surrounding flexitime, annual leave and sickness absence.</p> <p>Participation in the National Fraud Initiative helps the Council identify potential cases of internal fraud.</p>	Medium	<p>The counter fraud team investigate any suspicions of corruption while internal audit ensure that appropriate checks and balances are in place to help prevent it.</p>
<p>Recruitment Fraud</p>	<p>Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and qualifications or providing false identification documents to</p>	<p>The Council has controls in place which include verification of qualifications and reviewing references to help mitigate against the risk of fraud in this area.</p>	Medium	<p>Where there is a suspicion that someone has provided false information to gain employment, the counter fraud team will be consulted on possible criminal action in addition to any disciplinary action that may be</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	demonstrate the right to work in the UK.			taken.
Blue Badge Fraud	Disabled parking badges (known as blue badges) are issued by North Yorkshire County Council. The Council offers free parking in council car parks for badge holders.	The financial impact of blue badge fraud is low, however, it can prevent genuine users from accessing spaces.	Low	The counter fraud team will investigate cases where blue badges are used in council car parks.
Fraudulent Insurance Claims	The Council may receive exaggerated or fabricated insurance claims. CIPFA report that in 2019 the average value of a fraudulent claim against local authorities was over £39.5k.	While insurance fraud is common, the burden of risk is currently shouldered by the council's insurers who have established fraud investigation systems.	Low	n/a
Treasury Management	The impact of losses in this area could be significant. There are no recorded frauds within the council.	Treasury Management services are provided by North Yorkshire County Council. Systems are well controlled and subject to periodic internal audit review.	Low	Internal Audit undertake periodic reviews of the controls in this area.



COUNTER FRAUD AND CORRUPTION POLICY

1 Introduction

- 1.1 All organisations are at increasing risk of fraud and corruption. Some commentators estimate that annual fraud losses to local government in the UK could be £7.8 billion. It is therefore a risk that the council cannot and should not ignore.
- 1.2 Any fraud committed against the council effectively constitutes a theft of taxpayer's money. It is unlawful and deprives the council of resources which should be available to provide services to the public. By putting in place effective measures to counter the risk of fraud and corruption the council can reduce losses which impact on service delivery as a contribution to the achievement of overall council priorities.
- 1.3 This document sets out the council's policy in relation to fraud and corruption perpetrated against it, and its overall arrangements for preventing and detecting fraud. It includes the fraud and corruption prosecution policy contained in Annex A. It forms part of the council's overall policy framework for combating fraud and corruption and should be read in conjunction with the counter fraud strategy, constitution, the financial regulations, contract procedure rules, the whistleblowing policy, anti-money laundering policy, codes of conduct, and disciplinary procedures.

2 Definitions and Scope

- 2.1 For the purpose of this policy, the term fraud is used broadly to encompass:
 - acts which would fall under the definition in the Fraud Act (2006)
 - anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
 - any offences which fall under the Social Security Administration Act (1992), Council Tax Reduction Schemes Regulations (2013) and the Prevention of Social Housing Fraud Act (2013)
 - any act of bribery or corruption including specific offences covered by the Bribery Act (2010)
 - acts of theft
 - any other irregularity which is to the detriment of the council whether financially or otherwise, or by which someone gains benefit they are not entitled to.
- 2.2 This policy does not cover fraud or corruption against third parties, except where there may be an impact on the service provided by the council. In addition, it does not cover other acts – for example offences involving

violence - which may affect the council, and which should in most cases be reported directly to the police.

3 Principles

- 3.1 The council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that members, employees, and contractors' staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the constitution, the council's policy framework, and all relevant professional and other codes of practice.
- 3.2 The council will seek to assess its exposure to risks of fraud and corruption. It will prioritise resources available to prevent and deter fraud in order to minimise this risk.
- 3.3 The council will consider any allegation or suspicion of fraud seriously, from whatever source, and if appropriate will undertake an investigation to confirm whether fraud has occurred and determine the appropriate outcome. Any investigation will be proportionate. The council may refer any incident of suspected fraud to the police or other agencies for investigation, if appropriate.
- 3.4 To act as a deterrent, the council will take action in all cases where fraud (or an attempt to commit fraud) is proved, in proportion to the act committed. This may include prosecution, application of internal disciplinary procedures, or any other action deemed appropriate to the offence (for example referral to a professional body). Prosecution decisions will be made in accordance with the fraud and corruption prosecution policy (Annex A).
- 3.5 As a further deterrent, and to minimise losses, the council will attempt to recover any losses incurred through civil or legal action. In addition, the council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.

4 Responsibilities

- 4.1 Overall responsibility for counter fraud arrangements rests with the council's Chief Finance Officer (CFO), on behalf of the council. The CFO has a professional responsibility for ensuring the council has appropriate

- measures for the prevention and detection of fraud and corruption, which are reflected in legislation.
- 4.2 The Audit and Governance Committee has responsibility to consider the effectiveness of counter fraud and anti-corruption arrangements at the council. This includes monitoring of council policies on raising concerns at work and counter fraud and corruption.
 - 4.3 The Extended Leadership Team (ELT) are collectively responsible for ensuring that the council has effective counter fraud and corruption procedures embedded across the organisation that comply with best practice and good governance standards and requirements.
 - 4.4 Veritau (who provide internal audit and counter fraud services to the council) is responsible for reviewing the council's counter fraud and corruption policies on a regular basis and recommending any required changes to those policies. In addition, Veritau leads on fraud prevention and detection issues for the council and is responsible for investigating suspected cases of fraud or corruption. The internal audit team carries out audit work to ensure that systems of control are operating effectively, which contributes to the reduction in opportunities for committing fraud. The Head of Internal Audit is required to report their professional opinion on the council's control environment to members of the Audit & Governance Committee on an annual basis in accordance with proper practice.
 - 4.5 All senior managers have a responsibility for preventing and detecting fraud within their service areas. This includes maintenance of effective systems of internal control and ensuring that any weaknesses identified through the work of internal audit or by other means are addressed promptly.
 - 4.6 The Solicitor to the Council is the council's nominated officer for the purposes of the Money Laundering Regulations (2007), and is responsible for reporting any issues referred to them, in this capacity.
 - 4.7 All staff have a general responsibility to be aware of the possibility of fraud and corruption, and to report any suspicions that they may have to Veritau. Where appropriate, staff may use the whistleblowing policy to raise concerns anonymously.
 - 4.8 Officers within human resources have a responsibility to support service departments in undertaking any necessary pre-disciplinary investigation and disciplinary process.

5 Overall Counter Fraud Arrangements

Introduction

- 5.1 The purpose of this section is to set out the council's overall framework for countering the risk of fraud and corruption. While the council aims to follow best practice in relation to counter fraud activity¹, it recognises that new and emerging fraud risks will require a dynamic approach to fraud prevention and detection.

Measurement

- 5.2 The council will assess the potential risks and losses due to fraud and corruption, and will use these to prioritise counter fraud activity, and review the resources available to counter those risks. The review will include an assessment of actual levels of fraud² and the effectiveness of counter fraud activity in reducing losses. The outcome of this review will be reported to the Audit & Governance Committee on an annual basis as part of the audit and fraud planning cycle.

Culture

- 5.3 The council will promote a culture whereby all staff, members, service users, and contractors are aware that fraud or corruption in any form is unacceptable. To do this, it will:
- ensure that there are clear arrangements in place for reporting suspicions about potential fraud or corruption, whether that be by staff, council members, partners, stakeholders, contractors or members of the public;
 - investigate reported suspicions and where evidence of fraud or corruption is found will prosecute where appropriate and take any other action necessary in accordance with the financial regulations, contract procedure rules, fraud and corruption prosecution policy, disciplinary procedures, members code of conduct, or any relevant legislation or guidance;
 - ensure that the consequences of committing fraud and/or partaking in corrupt practices are widely publicised.

¹ For example the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

² All suspected fraud should be reported to Veritau. A record of all such information will be maintained on a confidential basis.

Prevention and Detection

Controls

- 5.4 As part of its ongoing operating procedures, the council seeks to ensure that proper systems of internal control are in place. This includes controls to directly prevent and detect fraud, such as separation of duties and management review, along with other procedures such as vetting as part of recruitment processes and systems for declaration of interests and gifts and hospitality. The effectiveness of systems of control are monitored and a formal report is made as part of the process for preparing the annual governance statement. The council maintains a system of internal audit to provide independent review of control systems on an ongoing basis, in accordance with a risk assessment.
- 5.5 Services will be encouraged to consider the risk of fraud as part of the council's risk management process. Any information on risks identified will be used to inform the annual review of counter fraud activity.

Proactive Work

- 5.6 The council will carry out targeted project work (for example data matching exercises) to identify fraud and corruption in known high risk areas. This work will be carried out by Veritau as part of its annual workplan. Work will be prioritised based on a risk assessment as part of the annual review of counter fraud activity. Work may include joint exercises with other agencies, including other local councils.
- 5.7 The council will take part in projects led by other agencies such as the Cabinet Office and the DWP to identify potential fraud e.g. the National Fraud Initiative and HBMS Data Matching Service. Resources will be allocated to follow up all data matches, and will include support through the internal audit and counter fraud teams to review potential control issues and suspected fraud. Veritau will work with service departments to ensure that they are aware of the need to include notices to service users stating that any data held may be subject to use for data matching purposes.

Relationships

- 5.8 The council has established relationships with a number of other agencies. It will continue to develop these relationships and develop new ones to further the prevention and detection of fraud. Organisations which the council will work with include:
- the police

- the courts
- the Cabinet Office
- the Department for Communities and Local Government
- the Department for Works and Pensions
- other councils
- community groups

5.9 Veritau will work with council departments to ensure that systems for reporting and investigating suspected fraud and corruption are robust.

Fraud Awareness Training

5.10 As part of its annual workplan, Veritau will provide targeted fraud awareness training to specific groups of staff, based on its annual risk assessment.

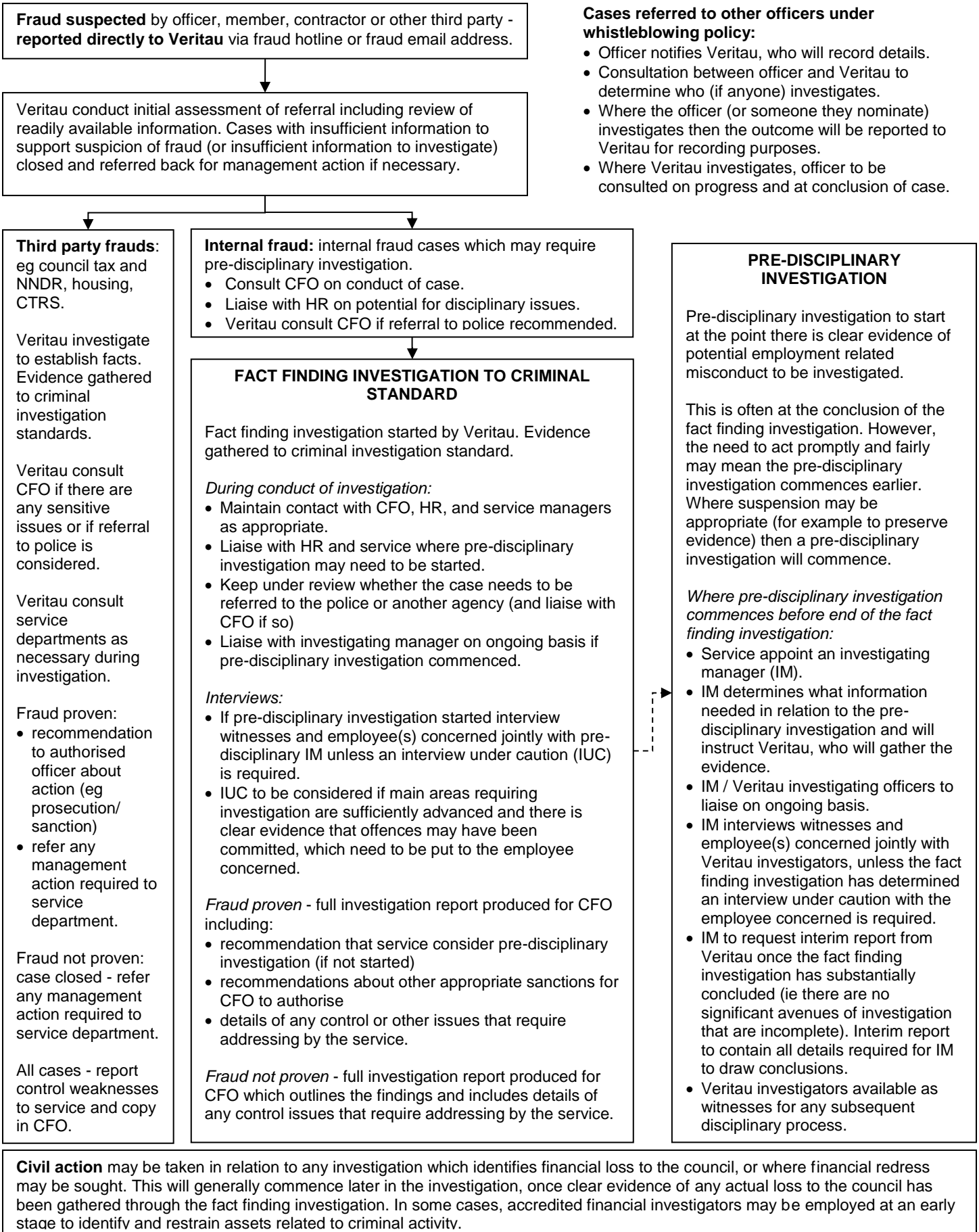
Investigation

5.11 All suspected cases of fraud, corruption, theft or other irregularity will be investigated. The nature of each investigation will depend on the circumstances of each case. Veritau will act as a first port of call for any suspected fraud and will provide advice on whether other agencies should be notified (eg the police). Veritau will determine the extent of the investigation to be carried out in consultation with the Chief Finance Officer, service departments and human resources. Where necessary, Veritau may refer cases to other agencies (for example the police) at the discretion of the Head of Internal Audit. Figure 1 overleaf outlines the fraud referral and investigation process.

5.12 All staff involved in the investigation of fraud will be appropriately trained. They will be required to comply with any relevant legislation, codes of practice and government guidance. For example the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA), the Data Protection Act, the Criminal Procedures Investigations Act (CPIA) and practitioners' guidance from the Attorney General. Investigators will take into account the individual circumstances of anyone involved in an investigation and adjustments to procedure will be made where necessary to ensure that all parties are treated equitably (where it is appropriate and reasonable to do so).

5.13 As part of the outcome of every investigation, a review of any weaknesses in control will be made and if necessary recommendations will be made to address any issues identified. These will be set out in a formal report to the managers of the service concerned, and will be followed up to ensure the issues are addressed.

Figure 1: Selby District Council Fraud Referral and Investigation Process



- 5.14 The Head of Internal Audit will ensure that systems for investigating fraud are reviewed on an ongoing basis, to ensure that they remain up to date and comply with good practice.

Publicity

- 5.15 The council will publicise all successful prosecutions undertaken either by itself or by partner organisations, to act as a deterrent against future fraud.
- 5.16 In addition, where appropriate, targeted publicity will be used to raise the awareness of fraud to staff, members, the public, and other agencies. This will consist of both internal and external publicity and will aim to:
- raise awareness about potential fraud and ensure all stakeholders are alert to the possibilities of fraud;
 - inform all stakeholders of the procedures to be followed if they have suspicions of fraud;
 - ensure that all stakeholders are aware that the council will not tolerate fraud and the consequences of committing fraud against it.

Recovery of Monies

- 5.17 Where any loss has been incurred by the council or additional costs have been incurred as a result of fraud or corruption, the council will seek to recover these from the individual or organisation concerned. This will help to ensure that the financial impact of fraud on the council is minimised and act as a deterrent. As a further deterrent, the council will seek to levy any appropriate fines or penalties where it is possible and desirable to do so.
- 5.18 Methods of recovery may include (but are not limited to):
- recovery from assets held by the organisation or individual (using the Proceeds of Crime Act or any other relevant legislation);
 - bankruptcy where appropriate;
 - recovery from future salary payments if an individual remains an employee of the council;
 - recovery of pension contributions from employees or members who are members of the North Yorkshire Pension Fund.

6 Monitoring & Review Arrangements

- 6.1 The arrangements set out in this policy document will be reviewed on an annual basis as part of the audit and fraud planning cycle and will include the fraud and corruption prosecution policy (Annex A) and other related guidance. Veritau will work with other departments to ensure that other related guidance and policy (such as the whistleblowing policy) are

reviewed on a regular basis and any amendments or necessary changes are reported to members for approval.

LAST REVIEWED AND UPDATED: 27 January 2021



FRAUD AND CORRUPTION PROSECUTION POLICY

1 Scope and Purpose

- 1.1 The fraud and corruption prosecution policy forms part of the council's overall counter fraud and corruption arrangements. The policy covers all acts, and/or attempted acts, of fraud or corruption committed by officers or members of the council, or committed by members of the public, or other organisations or their employees, against the council.
- 1.2 The policy sets out the circumstances in which the council will take legal action against the perpetrators of fraud or corruption. It also sets out the circumstances when it is appropriate to consider alternative courses of action such as offering a caution. The policy does not cover internal disciplinary procedures which are the subject of the council's separate disciplinary policy and procedures.
- 1.3 This policy should be read in conjunction with the council's constitution, financial regulations, contract procedure rules, the counter fraud and corruption policy and the strategy, the whistleblowing policy and the council's disciplinary policy and procedures.
- 1.4 The policy contains specific guidelines for determining the most appropriate course of action when fraud has been identified. Offences other than fraud and corruption (for example those relevant to the enforcement of regulations) are dealt with by the appropriate service departments under other policies and relying on specific legal powers.

2 Principles

- 2.1 The council is committed to deterring fraud and corruption. As part of its overall strategy to do this the council will seek to take appropriate action against anyone proven to have attempted and/or committed a fraudulent or corrupt act against it. The council considers that those guilty of serious fraud or corruption must take responsibility for their actions before the courts.
- 2.2 The policy is designed to ensure that the council acts fairly and consistently when determining what action to take against the perpetrators of fraud or corruption.
- 2.3 Staff and members who are found to have committed fraud or corruption may be prosecuted in addition to such other action(s) that the council may decide to take, including disciplinary proceedings in the case of staff and referral to the relevant officer or body in the case of members. Any decision not to prosecute a member of staff for fraud and corruption does not preclude remedial action being taken by the relevant director(s) in accordance with the council's disciplinary procedures or other

policies.

- 2.4 This Policy is also designed to be consistent with council policies on equalities. The council will be sensitive to the circumstances of each case and the nature of the crime when considering whether to prosecute or not.
- 2.5 The consistent application of the policy will provide a means for ensuring that those who have perpetrated fraud and corruption are appropriately penalised. It will also act as a meaningful deterrent to those who are contemplating committing fraud or corruption. The council recognises the deterrent value of good publicity and therefore information regarding successful prosecutions and sanctions will be made public.
- 2.6 Any decision taken by an authorised officer to prosecute an individual or to offer a formal sanction will be recorded in writing. The reason for the decision being taken will also be recorded.
- 2.7 Irrespective of the action taken to prosecute the perpetrators of fraud and corruption, the council will take whatever steps necessary to recover any losses incurred, including taking action in the civil courts.

3 Prosecution

- 3.1 The policy is intended to ensure the successful prosecution of offenders in court. However, not every contravention of the law should be considered for prosecution. The council will weigh the seriousness of the offence (taking into account the harm done or the potential for harm arising from the offence) with other relevant factors, including the financial circumstances of the defendant, mitigating circumstances and other public interest criteria. All cases will be looked at individually and be considered on their own merit.
- 3.2 To consider a case for prosecution the council must be satisfied that two tests have been passed. Firstly, there must be sufficient evidence of guilt to ensure conviction. This is called the **evidential test**. Secondly, it must be in the public interest to proceed – the **public interest test**.
- 3.3 To pass the evidential test, authorised officers must be satisfied that there is a realistic prospect of conviction based on the available evidence (that is, there must be sufficient admissible, substantial and reliable evidence to secure a conviction).
- 3.4 To pass the public interest test, the authorised officer will balance, carefully and fairly, the public interest criteria against the seriousness of the offence. The public interest criteria include;

- the likely sentence (if convicted);
- any previous convictions and the conduct of the defendant;
- whether there are grounds for believing the offence is likely to be repeated;
- the prevalence of the offence in the area;
- whether the offence was committed as a result of a genuine mistake or misunderstanding;
- any undue delay between the offence taking place and/or being detected and the date of the trial;
- the likely effect that a prosecution will have on the defendant;
- whether the defendant has put right the loss or harm caused.

3.5 It will generally be in the public interest to prosecute if one or more of the following factors applies, subject to any mitigating circumstances;

- the actual or potential loss to the council was substantial;
- the fraud has continued over a long period of time;
- the fraud was calculated and deliberate;
- the person has previously committed fraud against the council (even if prosecution did not result) and/or there has been a history of fraudulent activity;
- the person was in a position of trust (for example, a member of staff);
- there has been an abuse of position or privilege;
- the person has declined the offer of a caution or financial penalty;
- the case has involved the use of false identities and/or false or forged documents.

3.6 Investigating officers and prosecutors will review the appropriateness of pre-charge engagement where prosecution is considered³. This is likely to occur where such engagement may lead the defendant to volunteer additional information that may identify new lines of inquiry. Pre-charge engagement may be instigated by the investigating officer, the council prosecutor, the defendant's representative or a defendant themselves (if unrepresented).

³ Pre-charge engagement was recommended in the Attorney General's 'Guidance on Disclosure 2020'.

4 Mitigating Factors

- 4.1 The following mitigating factors will be taken into account when determining whether to prosecute;

Voluntary Disclosure

- 4.2 A voluntary disclosure occurs when an offender voluntarily reveals fraud about which the council is otherwise unaware. If this happens, then the fraud will be investigated but the offender will not be prosecuted unless in exceptional circumstances. However, any person colluding in the crime will still be prosecuted. A disclosure is not voluntary if the:-

- admission is not a complete disclosure of the fraud;
- admission of the fraud is made only because discovery of the fraud is likely, (for example, the offender knows the council is already undertaking an investigation in this area and/or other counter fraud activity);
- offender only admits the facts when challenged or questioned;
- offender supplies the correct facts when making a claim to Legal Aid.

Ill Health or Disability

- 4.3 Where the perpetrator (and/or their partner) is suffering from prolonged ill health or has a serious disability or other incapacity then the offender will not normally be prosecuted. Evidence from a GP or other doctor will be requested if the condition is claimed to exist, unless it is obvious to the investigator. It is also necessary to prove that the person understood the rules governing the type of fraud committed and was aware that their action is wrong. This may not be possible where, for instance, the offender has serious learning difficulties. However, simple ignorance of the law will not prevent prosecution.

Social Factors

- 4.4 A wide range of social factors may make a prosecution undesirable. The test is whether the court will consider the prosecution undesirable, and go on to reflect that in the sentence.

Exceptional Circumstances

- 4.5 In certain exceptional circumstances the council may decide not to prosecute an offender. Such circumstances include;
- the inability to complete the investigation within a reasonable period of time;
 - the prosecution would not be in the interests of the council;
 - circumstances beyond the control of the council make a prosecution unattainable.

5 Alternatives to Prosecution

- 5.1 If some cases are considered strong enough for prosecution but there are mitigating circumstances which cast a doubt as to whether a prosecution is appropriate then the council may consider the offer of a sanction instead. The two sanctions available are;
- a caution, or;
 - financial penalty.

Simple Cautions

- 5.2 A simple caution is a warning given in certain circumstances as an alternative to prosecution, to a person who has committed an offence. All cautions are recorded internally and kept for a period of six years. Where a person offends again in the future then any previous cautions will influence the decision on whether to prosecute or not.
- 5.3 For less serious offences a simple caution will normally be considered where all of the following apply;
- there is sufficient evidence to justify instituting criminal proceedings;
 - the person has admitted the offence;
 - there is no significant public requirement to prosecute;
 - it was a first offence, and;
 - a financial penalty is not considered to be appropriate.

Only in very exceptional circumstances will a further caution be offered for a second or subsequent offence of the same nature.

- 5.4 Cautions will be administered by the Head of Internal Audit (or deputy), Assistant Director – Corporate Fraud, Corporate Fraud Manager, or a Senior Corporate Fraud Investigator, on behalf of the council. If a

caution is offered but not accepted then the council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

Financial Penalties

- 5.5 The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, permit a financial penalty to be offered to claimants as an alternative to prosecution. The penalty is set at 50% of the amount of the excess reduction, subject to a minimum of £100 and a maximum of £1000. Once a penalty is accepted, the claimant has 14 days to change their mind.
- 5.6 Subject to the criteria set out in the guidelines below, a financial penalty will normally be offered by the council in the following circumstances;
- the council believes that there is sufficient evidence to prosecute;
 - it was a first offence or a previous offence was dealt with by way of a caution, and;
 - in the opinion of the council, the circumstances of the case mean it is not overwhelmingly suitable for prosecution, and;
 - the claimant has the means to repay both the overpayment and the penalty, and;
 - there is a strong likelihood that both the excess reduction and the penalty will be repaid.
- 5.7 It is important to note that the claimant does not need to have admitted the offence for a financial penalty to be offered. Financial penalties will be administered by the Head of Internal Audit (or deputy), Assistant Director – Corporate Fraud, Corporate Fraud Manager or a Senior Corporate Fraud Investigator. If a financial penalty is not accepted or is withdrawn then the council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

6 Proceeds of Crime Act 2002 (POCA)

- 6.1 In addition to the actions set out in this policy, the council reserves the right to refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order will prevent a person from dealing with specific assets. A confiscation order enables the council to recover its losses

from assets which are found to be the proceeds of crime.

7 Implementation Date

7.1 This revised policy is effective from 02 February 2017 and covers all decisions relating to prosecutions and sanctions after this date.

POLICY LAST REVIEWED AND UPDATED January 2021



Report Reference Number: A/20/24

To: Audit and Governance Committee
Date: 27 January 2021
Status: Non-Key Decision
Ward(s) Affected: All
Author: Karen Iveson; Chief Finance Officer (s151)
Lead Executive Member: Cllr Cliff Lunn
Lead Officer: Karen Iveson; Chief Finance Officer (s151)

Title: Annual Governance Statement 2019/20 – Action Plan Review

Summary:

To review progress on the Annual Governance Statement (AGS) 2019/20 Action Plan approved in November 2020.

Recommendations:

It is recommended that progress against the Action Plan for the Annual Governance Statement for 2019/20 be noted.

Reasons for recommendation

To ensure the necessary actions have been carried out in accordance with the approved Annual Governance Statement and action plan.

1. Introduction and background

- 1.1** Good governance is important to all involved in local government; however, it is a key responsibility of the Leader of the Council and of the Chief Executive.
- 1.2** The preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework was necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.
- 1.3** To meet the requirement to review the AGS an Action Plan has been agreed and is subject to half yearly review by the Audit and Governance Committee.

2. The Report

- 2.1** The present Action Plan for review is attached as Appendix A. Progress against the approved action plan has been made although there are some actions on-going which will be monitored by Leadership Team over the remaining months of the year in order to ensure actions are delivered to the agreed revised deadlines.

3. Alternative Options Considered

Not applicable.

4. Implications

4.1 Legal Implications

None as a direct result of this report.

4.2 Financial Implications

None as a direct result of this report.

4.3 Policy and Risk Implications

Significant control weaknesses present risk for the Council and therefore it is important that agreed actions are implemented.

4.4 Corporate Plan Implications

Ensuring an effective governance and control framework supports the Council in delivery of its 'great value' priority.

4.5 Resource Implications

Resources to deliver the agreed actions are within the approved budget and policy framework.

4.6 Other Implications

There are no other notable implications beyond those set out in the report and associated action plan.

4.7 Equalities Impact Assessment

Not applicable.

5. Conclusion

- 5.1** The AGS and scrutiny of the Action Plan represents progress towards setting the highest Corporate Governance standards and meets the requirements of the Accounts and Audit Regulations.

6. Background Documents

None.

7. Appendices

Appendix A – AGS 2019/20 Action Plan Progress Update January 2021

Contact Officer:

Karen Iveson, Chief Finance Officer (and s151)

kiveson@selby.gov.uk

01757 292056

APPENDIX A

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom and by when	Current Position
Non-compliance with the Payment Card Industry Data Security Standard (PCI DSS)	Internal Audit report	New software purchased as old system ceased to be supported. Implementation of new software should resolve PCI DSS issues. Management responsibility has been defined. Responsibility for completing annual PCI DSS assessment to be assigned.	Head of Business Development and Improvement Revised date to 31 July 2021 (previously 31 December 2020).	We have procured a new income management system from Civica that will enable PCI DSS compliance. Originally it was hoped that this would be implemented by September. However, whilst the work has commenced, delays due to Covid-19 mean Civica will now be unable to complete this until July 2021.
Performance Management	Internal Audit Report	<ul style="list-style-type: none"> • PDR guidance to be reviewed and updated. • HR to undertake QA review of sample of PDRs. • Return rate of PDRs to be monitored and all PDRs reviewed and returned to manager if not complete. • Training plan to be completed promptly following PDR process. 	Head of Business Development and Improvement Revised date 30 June 2021 (previously December 2020)	A review of capability/performance management policy and procedure forms part of the council's plans to review and update all principal HR policies. This review of policies has been delayed due to the Covid-pandemic response and ensuring staff are safe and supported in these new working arrangements. Attendance management and disciplinary policies have now been reviewed and signed off and capability/performance management is next. We expect to complete this work in the first half of 2021. will be updated in advance of the next round of PDRs, to be completed at the end of 2020/21.



Report Reference Number: A/20/25

To: Audit and Governance Committee
Date: 27 January 2021
Status: Non-Key Decision
Ward(s) Affected: All
Author: Karen Iveson, Chief Finance Officer
Lead Executive Member: Councillor Cliff Lunn
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Veritau North Yorkshire Contract Extension 2021

Summary:

The current contract for assurance services¹ between the council and Veritau North Yorkshire Limited (VNY) was agreed in 2012. The contract was initially for seven years from 1 April 2012 to 31 March 2019. The contract includes options to extend for three years and then a further two years. In 2018, the council agreed to extend the contract for three years from April 2019. This extension is due to expire on 31 March 2022. A decision is now required about whether to enter into a further extension of two years. Under the terms of the contract, the council is required to notify VNY of its intention in respect of extending the contract by 31 March 2021.

It is proposed to agree a further two-year extension of the contract with VNY. The extension will allow the council to consider its requirements for assurance services in the longer term, once the results of the Government's decision on Local Government Reorganisation is known.

The purpose of this paper is to seek the committee's view on whether to enter into a further contract extension with VNY, in advance of a decision by the Executive. A decision to extend would be in accordance with the council's contract procedure rules and within the terms of the original contract agreed with VNY.

Recommendations:

That, subject to the views of the Committee, it is recommended to the Executive that Veritau North Yorkshire contract for Internal Audit, Counter Fraud, Risk Management and Information Governance services be extended for a further 2 years to 31 March 2024.

¹ Assurance services includes internal audit, counter fraud, risk management and information governance.

Reasons for recommendation:

To secure internal audit and associated services in accordance with the Council's Procurement procedure Rules and current contract.

1. Introduction and background

1.1 Veritau North Yorkshire Limited was formed in 2012 by the council, in partnership with other district councils in North Yorkshire, and Veritau Limited (owned by North Yorkshire County Council and City of York Council). The council is a shareholder in the company, which was formed to provide assurance services to the North Yorkshire districts as part of a desire to form a genuine partnership which would deliver benefits to the council as a member. The company was formed in accordance with Teckal² principles allowing the partners to maintain control over the company and place work with it without competitive tendering.

2. The Report

2.1 The company provides economies of scale across a range of areas. A number of examples are set out below.:

2.2

- A low ratio of management and administration overheads to direct costs compared to smaller in-house teams.
- A common framework for the delivery of services, including management systems, in use across all clients.
- Unified procedures are in place for the delivery of services as far as possible. This means that employees can undertake work interchangeably at all sites. It also means that changes in practice can be managed centrally - for example updates required to reflect changes in legislation and professional standards.
- Common work programmes are used across clients where possible, which makes delivery of work more efficient.
- As a large provider, VNY is able to invest in and employ specialists (for example IT audit expertise).

2.2 The economies of scale mean that the council receives a far higher level of service than could be achieved for the same cost, if services were delivered in-house. The arrangement also brings other benefits. For example auditors that have developed knowledge and expertise in specific service areas at one site are used to undertake work more effectively at other clients. And Veritau is also able to support the sharing of knowledge and good practice across clients where appropriate.

² The principles are reflected in legislation as part of the Public Contracts Regulations 2015.

Value for Money

- 2.3 The principle benefits to the council are financial. Service charges are based on a day rate (which is standard industry practice). Rates charged to the council, as a member of VNY, have remained competitive throughout the duration of the contract; and are far lower than we would expect to pay if procuring the service through open tendering. Total costs are also lower than the council would expect to pay for equivalent services, if delivered in-house because of the economies of scale that working with VNY delivers. The current day rate charged to the council is £262 per day.
- 2.4 There are a range of other benefits for the council. It exercises control over the operations of VNY through client management arrangements and through appointment of a director to the board of the company. As a shareholder, the council has a say in any significant changes to the company, and can veto any such changes, which require unanimous shareholder agreement. Profits made by VNY are retained within the business and are used for the future development of services, to the benefit of the council. The council is also entitled to its share of any future distribution of profits.

Benefits of Contract Extension

- 2.5 The Government is expected to announce its decision on local government reorganisation in Spring/Summer 2021. Extension of the contract by a further two years would therefore mean that we will have certainty about future requirements for assurance services for the council, before making any decision about longer term arrangements. It would also allow us to prepare and complete any required transfer of the council's interest in VNY to a successor authority, depending on the outcome of the LGR decision.
- 2.6 Agreeing a contract extension by 31 March 2021 will also give VNY the security it needs to continue to operate for the next two years. And will allow VNY to assure their auditors that they remain a going concern.

3. Alternative Options Considered

Given the uncertainty over Local Government reorganisation in North Yorkshire an extension under the terms of the current contract is considered the most practicable and no other alternative is proposed at this time.

4. Implications

4.1 Legal Implications

As set out in the report

4.2 Financial Implications

There are no proposed changes to the contract sums as a result of this approach and the proposals are within the existing budget envelope.

4.3 Policy and Risk Implications

Internal Audit and associated services provide assurance that governance processes and procedures are working effectively. There are no specific implications as a result of this report.

4.4 Corporate Plan Implications

Assurance services underpin all of the Council's priorities.

4.5 Resource Implications

None as a result of this report.

4.6 Other Implications

None as a result of this report

4.7 Equalities Impact Assessment

There are no equalities implications as a result of this report.

5. Conclusion

- 5.1** This section should be used to highlight the conclusion to your report re stating any key arguments. This should cross reference with the Reasons for the Recommendation.

6. Background Documents

None.

7. Appendices

None.

Contact Officer:

Karen Iveson
Chief Finance Officer
kiveson@selby.gov.uk