

Open

# Audit Committee

## Agenda

6pm  
Monday, 29th July 2019  
Council Chamber  
Wyre Forest House  
Finepoint Way  
Kidderminster



## Audit Committee

### Members of Committee:

**Chairman: Councillor A Totty**  
**Vice-Chairman: Councillor S E N Rook**

**Councillor V Caulfield**

**Councillor B S Dawes**

**Councillor N J Desmond**

**Councillor A L L'Huillier**

**Councillor C Rogers**

**Councillor P W M Young**

### Information for Members of the Public:

**Part I of the Agenda includes items for discussion in public. You have the right to request to inspect copies of Minutes and reports on this Agenda as well as the background documents used in the preparation of these reports.**

**Part II of the Agenda (if applicable) deals with items of "Exempt Information" for which it is anticipated that the public may be excluded from the meeting and neither reports nor background papers are open to public inspection.**

### Declaration of Interests by Members – interests of members in contracts and other matters

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of this constitution for full details.

### Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

### For further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sian Burford, Assistant Committee Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732766 or email [sian.burford@wyreforestdc.gov.uk](mailto:sian.burford@wyreforestdc.gov.uk)

Wyre Forest District Council

Audit Committee

Monday, 29th July 2019

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

<b>Agenda item</b>	<b>Subject</b>	<b>Page Number</b>
<b>1.</b>	<b>Apologies for Absence</b>	
<b>2.</b>	<b>Appointment of Substitute Members</b>  To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
<b>3.</b>	<b>Declarations of Interests by Members</b>  In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered.  Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
<b>4.</b>	<b>Minutes</b>  To confirm as a correct record the Minutes of the meeting held on the 29 <sup>th</sup> May 2019.	5
<b>5.</b>	<b>Audit Finding Report for Wyre Forest District Council – 2018-19 Accounts</b>  To receive a report from Grant Thornton detailing the findings of the audit of accounts for 2018-19.  <i>This report is to follow</i>	
<b>6.</b>	<b>Statement of Accounts 2018-19</b>  To receive a report from the Chief Financial Officer on the Statement of Accounts 2018-19.  <i>This report is to follow together with the full audited copy of the Statement of Accounts</i>	

7.	<p><b>Internal Audit Monitoring Report Quarter Ended 30<sup>th</sup> June 2019</b></p> <p>To receive a report for the Audit Manager which informs Members of the Internal Monitoring Report for the quarter ended 30<sup>th</sup> June 2019.</p>	9
8.	<p><b>Update on the Counter Fraud Arrangements 2019-20</b></p> <p>To receive an update from the Audit Manager/Section 151 Manager on the current Counter Fraud Arrangements in place looking back for 2018-19 and forward for 2019-20.</p>	23
9.	<p><b>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</b></p>	
10.	<p><b>Exclusion of the Press and Public</b></p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

11.	<p><b>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</b></p>	
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**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

**COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,  
KIDDERMINSTER**

**29TH MAY 2019 (6PM)**

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**Present:**

Councillors: A Totty (Chairman), S E N Rook (Vice-Chairman), V Caulfield, B S Dawes, N J Desmond, A L L'Huillier, C Rogers and P W M Young.

Observers: G Ballinger, C Edginton-White and F Oborski

**AUD.01 Apologies for Absence**

Apologies were received from B Zzaman, Independent Member and Zoe Thomas, Grant Thornton.

**AUD.02 Appointment of Substitutes**

There were no appointment of substitutes.

**AUD.03 Declarations of Interests by Members**

No declarations of interest were made.

**AUD.04 Minutes**

**Agreed: The minutes of the meeting held on 25th March 2019 be confirmed as a correct record of the meeting and signed by the Chairman.**

**AUD.05 Internal Monitoring Report 31<sup>st</sup> March 2019**

The Committee considered a report from the Audit Manager which informed Members of the Internal Audit Monitoring Report for the quarter ended 31<sup>st</sup> March 2019.

The Audit Manager took members through the report in slightly more detail than usual as there were a number of new members on the Committee. She explained that for most of the Audit Reports issued in the quarter ended 31<sup>st</sup> March 2019 she could give full assurance except for Housing Benefit and Council Tax Reduction Scheme. The Audit Team do a lot of testing in these areas but due to the high volume of work that is done you would expect some errors to occur therefore, she cannot give full assurance. The Audit Manager also explained to members how the Team performed against the audit plan. The target is for 95% completion but this had not been met in the last financial year as the Senior Auditor and the Trainee Auditor had both moved on to other jobs. The Audit Manager confirmed that if the plan had been adjusted for the

## **Agenda Item No. 4**

manpower that was available during the final quarter, the team would have been on target.

**Agreed: The Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> March 2019 as detailed in the Appendix to the report be noted.**

### **AUD.06 Internal Audit Annual Assurance Report 2018-19**

The Committee received a report from the Audit Manager which sought approval of the Internal Audit Annual Assurance Report for 2018-19. The Corporate Director: Resources advised Members that the report would feed into the Annual Governance Statement which was published as part of the Statement of Accounts. The Corporate Director: Resources said that she agreed with the assurance given by the Audit Manager.

The Audit Manager led Members through the report and advised that it was her personal opinion that reasonable assurance could be given on the effectiveness of the Council's internal control environment.

The Audit Manager advised that the annual assurance report had also been revised in line with the external assessment of the internal audit service completed in May 2018 to clearly define the organisational independence of the Audit Manager.

Councillor Young asked what would happen if things were not quite right. The Audit Manager confirmed that if they found anything of concern it would have been included in this report and referenced against the audit opinion. The Audit Manager confirmed that the report does consolidate the work of the Internal Audit team and also evidences the effectiveness of the system of internal audit.

**Agreed: The Internal Audit Annual Assurance report for 2018-19 attached as Appendix 1 of the report be approved.**

### **AUD.07 Annual Governance Statement 2018-19**

The Committee received a report from the Corporate Director: Resources which sought approval of the Annual Governance Statement and Annual Governance Action Plan 2018-19 for inclusion in the Statement of Accounts.

The Corporate Director: Resources led Members through the report which presented the current position in relation to the action plan which had been developed to address the significant governance issues identified for 2018-19 to be addressed in 2019-20.

Members considered each of the seven issues in turn and were advised that the final Statement would be presented to the Committee for approval in July 2019.

**Agreed: The Annual Governance Statement 2018-19 attached at Appendix 1 of the report be approved.**

**AUD.08 Statement of Accounts 2018-19**

The Committee received a report from the Corporate Director: Resources which asked Members to consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2018-19.

The Corporate Director: Resources apologised that the full Statement of Accounts was not issued until Friday afternoon but she was not expecting members to have read all of the detail. She outlined the contents of the report and advised Members that there was no statutory duty to bring the pre-audit copy to Committee for endorsement. The Council's external auditor, Grant Thornton (GT) has until 31<sup>st</sup> July 2019 to complete the audit when a further report will be brought to the Audit Committee.

In future years the full Statement may not be brought to Members until the July meeting in line with other Worcestershire Councils.

The Corporate Director: Resources advised members that a Strong Leader Report had been issued on the 23<sup>rd</sup> May 2019 following Annual Council on the Provisional Final Accounts Outturn 2018-19. This reported the very welcome saving of £100k for 2018-19 after replenishing a number of risk reserves to protect the Council's position going forward and fund future transformation to help close the £2.2m funding gap. The repayment of this Council's share of the former Worcestershire Business Rates Pool Risk Reserve of circa £533k was also noted.

The Corporate Director: Resources thanked her team for their hard work in preparing the Statement of Accounts.

The Financial Services Manager led Members through the Statement and gave a detailed summary of the key issues.

Councillor Desmond thanked the Corporate Director: Resources and her team for their excellent work to help achieve the savings and efficiencies reported for 2018-19. He also congratulated the Finance Team for the very healthy position the Council was in. He queried why the process for reporting the Provisional Final Accounts Outturn was a Strong Leader route rather than a full report to the Cabinet this year. The Corporate Director: Resources explained that it could have gone to June Cabinet but it was mutually agreed, that as it was good news, it would be done as a Strong Leader Report.

**Agreed:**

- 1.1 The pre-audit Statement of Accounts approved by the Corporate Director: Resources, be endorsed.**
- 1.2 The Corporate Director: Resources be authorised to make minor changes to the copy of the Statement of Accounts endorsed in 1.1 above, prior to the statutory pre-audit deadline of the 31st May, should this be necessary.**

**AUD.09 External Audit Fee Letter 2019-20**

The Committee received a report from Peter Barber, Grant Thornton on the External Audit Fee for 2019-20.

He said that the letter was self explanatory and sets out the proposed fee for 2019-20 would be £37,681 which is the same as the current year.

**Agreed: The External Audit Fee Letter for 2019-20 be noted**

There being no further business the meeting ended at 6.55pm.



**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**29<sup>th</sup> July 2019****INTERNAL AUDIT MONITORING REPORT**  
**QUARTER ENDED 30<sup>TH</sup> JUNE 2019**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Strategy & Finance
<b>RESPONSIBLE OFFICER</b>	Tracey Southall, Extension 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>CONTACT OFFICER:</b>	Cheryl Ellerton, Extension 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 30 <sup>th</sup> June 2019

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30<sup>th</sup> June 2019, attached as Appendix 1.

**2. RECOMMENDATION**

The Audit Committee is asked to **CONSIDER:**

- 2.1 The Internal Audit Monitoring Report for the Quarter ended 30<sup>th</sup> June 2019 as detailed in the Appendix to the report.

**3. BACKGROUND**

- 3.1 The management of the authority are obliged to safeguard public funds and use them in a way which provides value for money and thereby best value. An effective internal audit service is vital in helping management to meet these important duties as it is an independent appraisal function for the review of the entire internal control system.
- 3.2 The Audit Committee approved the operational Annual Audit plan 2019~20 in March 2019. This plan takes into account changes in priorities and risk and provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority. The approved plan for 2019~20 reflects the reduced staffing resource following a mini restructure of the Internal Audit Team from April 2019. The slight reduction in the number of available audit days within the plan was noted and approved as acceptable by the Audit Committee at its meeting in March 2019.
- 3.3 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, Corporate Leadership Team and to the External Auditors.

3.4 The Report attached as an Appendix contains 5 sections which are:

Section 1	<b>Follow up reviews</b> undertaken in the quarter; incorporating recommendations in progress
Section 2	<b>Final</b> Internal Audit Reports issued
Section 3	<b>Draft</b> Internal Audit Reports issued
Section 4	<b>Work In Progress</b> to include draft reports issued following completion of 2018~19 Annual Audit Plan
Section 5	Performance Statistics & Additional Assurance work undertaken

A number of other reviews are currently in progress. To support the work in progress, a summary of **action plans** issued is detailed within section 4 for Member information. In addition to the managed audits, within the audit plan resources are allocated to **consultancy and advice** for which a summary of the requests dealt with by Internal Audit is included within the performance statistics.

- 3.5 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by Internal Audit to require management's attention. The final audit report will recognise those areas of improvement and recommendations promptly actioned during the course of the audit, in order to raise the overall level of assurance given by Internal Audit at the completion of the full review.
- 3.6 The Internal Audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to the respective Corporate Leadership Team member and their nominated service manager{s} for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.
- 3.7 The Internal Audit Charter requires an annual opinion on the Council's internal control environment. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's internal control environment, which is reported to the May meeting of the Audit Committee.
- 3.8 The terminology within the reports presented to members is in line with that used by many other Internal Audit Teams of public authorities, private and public companies and external auditors.
- 3.9 Every organisation operates in the real world and errors/omissions/system weaknesses (manual or computerised) are inevitable. Management have to manage these known risks through the use of internal controls.
- 3.10 It may be that an operational decision has been taken by management to accept the risk of the non operation of an internal control. Where Internal Audit is reviewing the area in such an instance the weakness and any associated recommendation would be reported. Management would record within the service's risk register the processes in place to mitigate the risk.

- 3.11 The Corporate Leadership Team have confirmed that action would be taken immediately should an internal audit review report a significant weakness which could lead to a potentially serious issue.

**4. KEY ISSUES**

- 4.1 Internal Audit make recommendations to management on potential improvements to the internal control environment of the system under review. It is management's responsibility to take the necessary action to implement recommendations as agreed in the final internal audit report.
- 4.2 The Quarterly monitoring report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been designed to enable management and members to focus on those areas that Internal Audit wishes to draw to its attention. Following an external review of the Internal Audit Service in April 2018, presentational changes have been made to the format of the audit briefs and formal reports to evidence the associated corporate risk and those risks considered against expected controls. The quarterly monitoring report is presented to the Audit Committee in accordance with the Internal Audit, Quality Assurance & Improvement Programme to ensure on-going monitoring of the performance of the internal audit activity.
- 4.3 The Internal Audit Team operate in accordance with recognised Internal Audit Standards. Procedures are monitored to ensure that the Internal Audit Team procedures remain compliant.
- 4.4 The Internal Audit Charter requires an annual opinion on the Council's internal control environment and governance arrangements. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment and governance arrangements, which is reported to the Audit Committee.

**5. FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications arising from this report. There may however be financial implications if the audit recommendations made within audit reports are not implemented on a timely basis.

**6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 The Accounts and Audit Regulations 2015 section 5(1) require that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

**7. RISK MANAGEMENT**

- 7.1 In order to manage risk, internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.

- 7.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.
- 7.3 The Internal Audit service is one element of the Council's assurance/internal control framework.
- 7.4 A relevant member of the Internal Audit Team will continue to be involved in future Wyre Forest Forward reviews to oversee and advise on proposed system changes to ensure Key Controls are not compromised. This work will be resourced as part of the Consultancy and Advisory role detailed within the Internal Audit Plan.
- 7.5 Key audit risks are now evidenced against expected controls for all internal audit briefs. Whilst this is merely a presentational change as recommended by the external review, it should help to increase focus on risk management issues throughout the delivery of each specific audit review.

**8. CONCLUSION**

- 8.1 The work undertaken by the Internal Audit Team in the quarter ended 30<sup>th</sup> June 2019 is reported within Appendix 1. This information is presented to members in accordance with the Internal Audit Charter for the Internal Audit Team and the Quality Assurance & Improvement Programme as requirements of the UK Public Sector Internal Audit Standards

**9. CONSULTEES**

- 9.1 Corporate Leadership Team

**10. BACKGROUND PAPERS**

- 10.1 25<sup>th</sup> March 2019 ~ Audit Committee ~ Internal Audit Annual Plan 2019~20  
28<sup>th</sup> November 2018 ~ Audit Committee ~ Quality Assurance & Improvement Programme  
30<sup>th</sup> July 2018 ~ Audit Committee ~ Internal Audit Charter {Updated}  
Accounts and Audit Regulations 2015 {SI 234}



# **INTERNAL AUDIT**

## **INTERNAL AUDIT MONITORING REPORT**

**QUARTER ENDED  
30th June 2019**

**INTERNAL AUDIT**  
**QUARTERLY AUDIT REPORT**  
**QUARTER ENDED 30th June 2019**

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Including Consultancy & Advice for the Quarter &	<b>21</b>
Comparison of Consultancy & Advice for Quarter 30 <sup>th</sup> June 2018 & 30 <sup>th</sup> June 2017	<b>22</b>
Supporting Information for Other Internal Audit work including the Wyre Forest Forward reviews, process designs.	
 <i><b>Cheryl Ellerton</b></i> <b>AUDIT MANAGER</b>	
 <i><b>Tracey Southall</b></i> <b>SECTION 151 OFFICER</b>	

1<sup>st</sup> July 2019

SECTION 1

Quarter Report to the 30th June 2019

**Summaries of Follow up Reviews undertaken in the Quarter**

KEY	
Assurance Levels	Definition
<b>Full</b>	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
<b>Some</b>	Sufficient framework of controls but some weakness identified – provides adequate assurance.
<b>Limited</b>	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
<b>Unsound</b>	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.

THERE ARE NO REVIEWS TO REPORT FOR THIS QUARTER. THIS SECTION HAS BEEN LEFT FOR CONTINUITY.

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 30 <sup>th</sup> June 2019		
	ASSURANCE	PAGE
<b>CORE FINANCIAL SYSTEM REVIEWS</b>		
<b>Key Systems (Annual Assurance Reviews)</b>		
2019~20 Council Tax ~ Gross Debit {Billings Parameters} Reconciliation	F	-
2019~20 Payroll ~ WFDC Parameter Validation {Local Pay Award ~ Salary Band Up rating}	F	-
2019~20 NNDR ~ Gross Debit {Billing Parameters} Reconciliation	F	-

All with **FULL** assurance, so no further details provided.

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
<b>F = Full</b>	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.
<b>S = Some</b>	Sufficient framework of controls but some weaknesses identified ~ provides adequate assurance.	Summary page of Audit Report together with any significant findings and associated recommendations where appropriate.
<b>L = Limited</b>	Significant lapses/breakdown in individual controls ~ at least on significant weakness ~ provides partial assurance.	Summary page of Audit Report and significant findings and associated recommendations.
<b>U = Unsound</b>	Significant breakdown in the overall framework of controls with a number of significant recommendations ~ provides little or no assurance.  A significant internal control is one which is key to the overall framework of controls.	Summary page of Audit Report and significant findings and associated recommendations.



Quarter Report to the 30<sup>th</sup> June 2019

<b>DRAFT AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 30<sup>th</sup> June 2019</b>	
<b>TITLE</b>	<b>DATE OF ISSUE</b>
~	~

THERE ARE NO DRAFTS TO REPORT FOR THIS QUARTER. THIS SECTION HAS BEEN LEFT FOR CONTINUITY.

**SECTION 4**

The following Action Plans have been issued to Managers. In addition, the table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2019~20 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

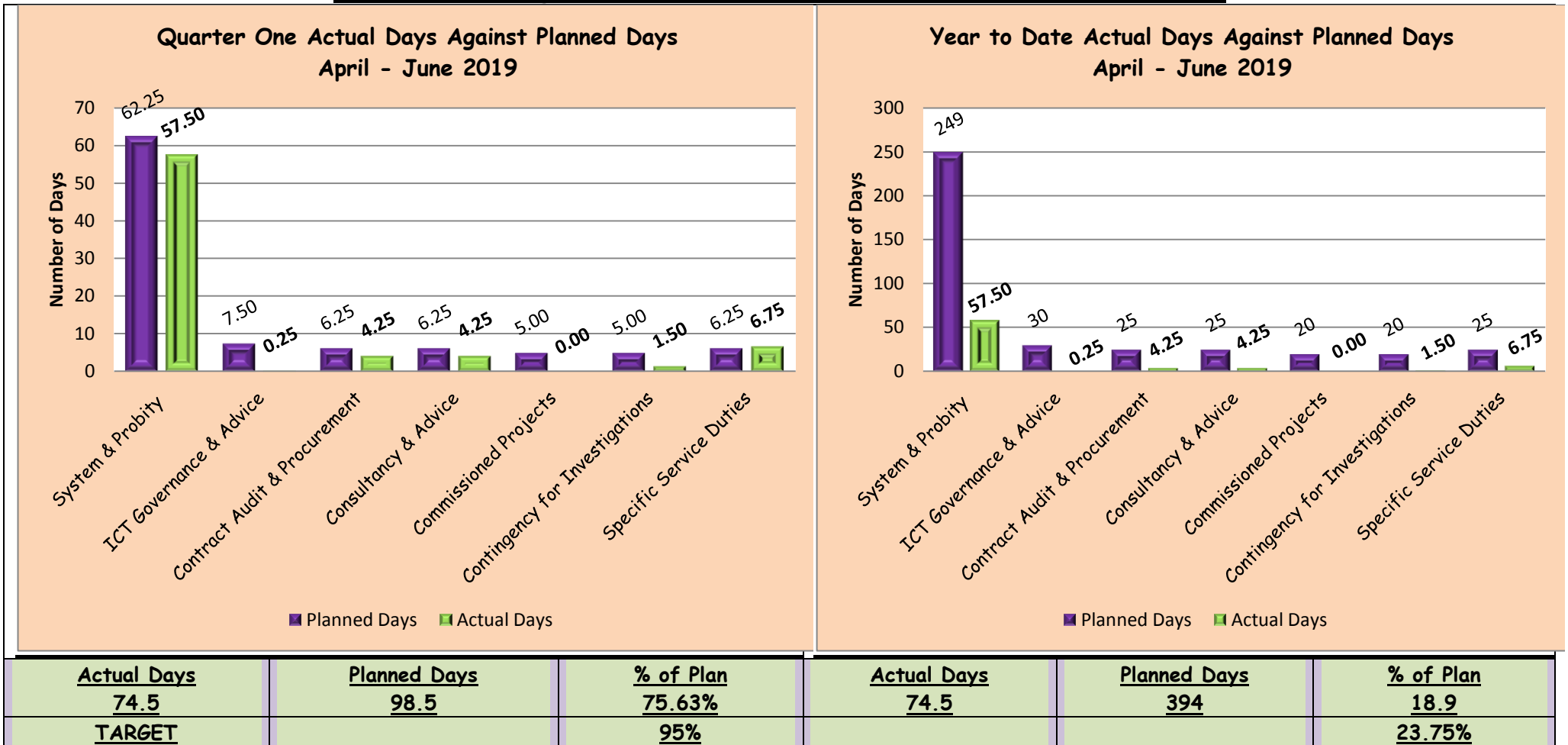
WORK IN PROGRES AS AT 30th June 2019		Status	Action Plans/Progress Report			
RISK ASSESSMENT	AUDIT REVIEW	As At 30.06.19	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	DATE OF COMPLETION OF FIELD WORK
	<b>Core Financial Systems (Annual Assurance Reviews)~ 2019~20 Annual Audit Plan</b>					
RA40	<b>Accounting Cash To Bank</b> Bank Reconciliation	Stage 3	21.06.18			
RA50	<b>Benefits (Inc Council Tax Discounts (Local Scheme))</b> Council Tax Reduction {Local Scheme} ~ Compliance	Stage 1	-			
	Housing Benefit {Allowances}	Stage 1	-			
	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 1	-			
RA16	<b>Council Tax</b> Ctax Reconciliations ~ {To include Gross Debit 2018/19}	<b>Stage 6</b>	18.06.19{FR}			
	Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 1	-			
	Ctax Compliance/Recovery	Stage 3	18.06.19			
RA44	<b>Creditors (Accounts Payable)</b> Creditors {Accounts Payable } ~ Compliance	Stage 1	-			
	Creditors {Accounts Payable} ~ Reconciliation	Stage 1	-			
RA51	<b>Debtors (Accounts Receivable)</b> Debtors {Accounts Receivable} ~ Compliance	Stage 2	-			
	Debtors {Accounts Receivable} ~Reconciliations	Stage 1	-			
RA82	<b>Establishment</b> Establishment Reconciliation	Stage 1	-			
	Establishment {Staff Record Forms}	Stage 2	-			
RA21	<b>National Non Domestic Rates</b> NNDR ~ Reconciliations ~ {To include Gross Debit 2018/19}	<b>Stage 6</b>	12.06.19{FR}			
	NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 1	-			
	NNDR ~ Compliance	Stage 3	28.06.19			
RA51	<b>Payroll (Including Mileage &amp; Subsistence Claims)</b> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team)^	Stage 3	-			
	^ <b>Field Work includes Local Government Pension Scheme &amp; Local Pay Award</b> Payroll ~ Reconciliations (WFDC Accountancy Team)~Parameter	<b>Stage 6</b>	28.06.19{FR}			

**KEY**

- Stage 1 Field Work In Progress ~ {With Individual Auditor}
- Stage 2 Phases 1 & 2 & 3 Field Work Complete for Peer Review
- Stage 3 Phases 1 & 2 & 3 Field Work Complete with Action Plan/Progress Report to Service Manager
- Stage 4 Audit Complete Under Review {Audit Manager}
- Stage 5 Draft Report Issued
- Stage 6 Final Report Issued {FR}

**Audit Resource Statistics**

**Performance Against Annual Plan For The Financial Year 2019~20**



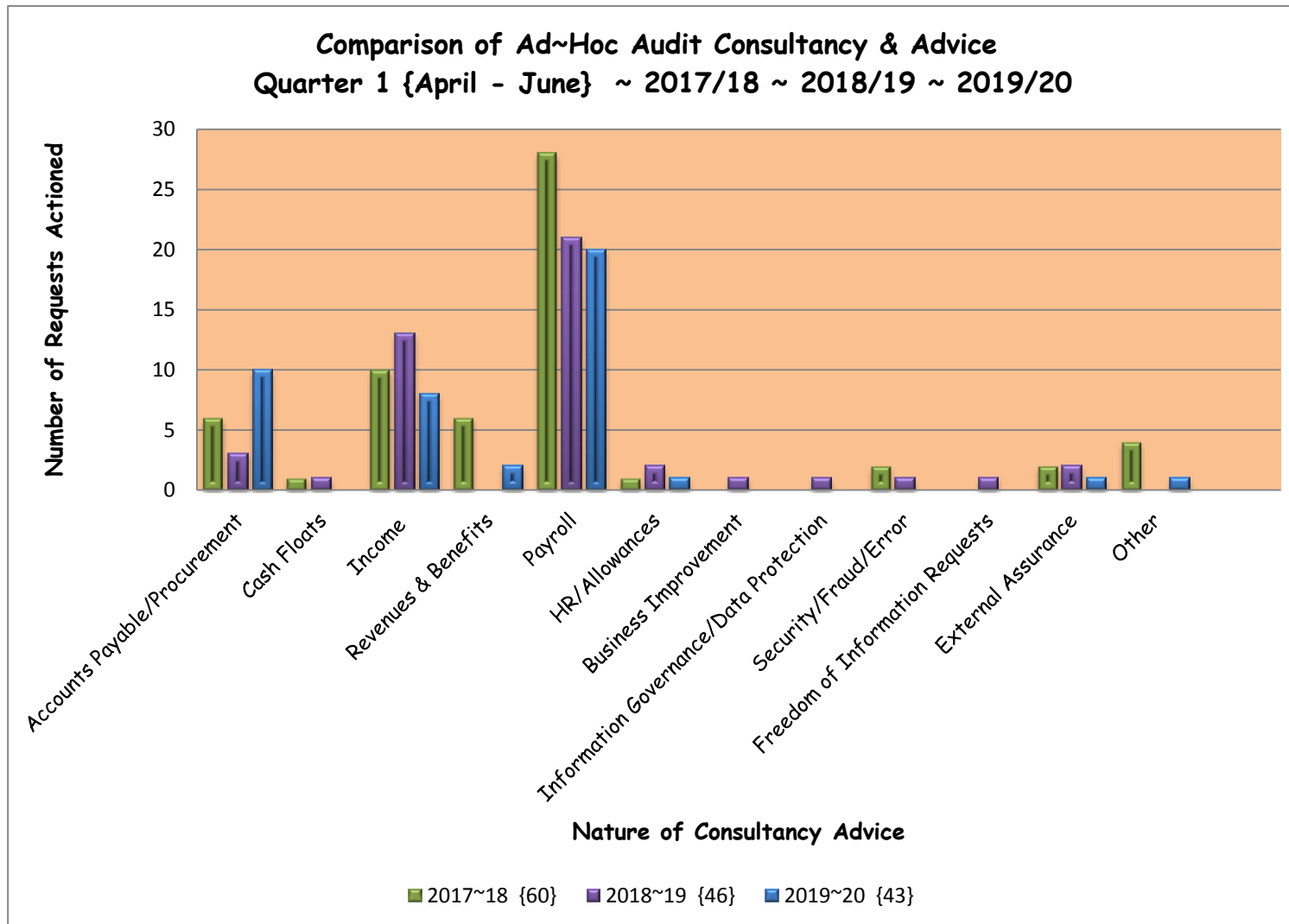
➤ For the quarter to 30<sup>th</sup> June 2019 actual against plan is 75.63 % compared to a target of 95% {91.54% against 95% for quarter 30<sup>th</sup> June 2018}

**Notes to Support Performance Statistics**

- A revised structure for the Internal Audit Team was in place from 1<sup>st</sup> April 2019, however, the appointment to the position of Auditor did not commence until 20<sup>th</sup> May 2019.
- The approved audit plan for 2019~20 had been based on a full establishment from the commencement of the financial year.
- As a consequence of the post holder not being in place until 20<sup>th</sup> May this has reduced the potential available audit days by 20 for quarter one {allowing for Bank Holidays, Annual Leave entitlement and other non-chargeable duties}.
- Had the Internal Audit Team been fully resourced from 1<sup>st</sup> April 2019, this would have provided for a 94% against target for completion of the approved audit plan.
- The loss of the 20 potential available audit days is not considered to present a significant risk due to the contingency allowance set aside within the plan for consultancy and investigations. Should additional audit resource be required later in the financial year this can be resourced using the flexibility within the team. This will be funded by the budget saving as a result of the Auditor position not being filled until 20<sup>th</sup> May 2019.

\*\*\*\*\*

Within the time allocated in the above table, during this first quarter of 2019~20 the Internal Audit Team have responded to **43** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **46** requests received and actioned for the same period for 2018~19 and the **60** requests received and actioned for the same period in 2017~18.



### **Additional Assurance Work Undertaken by Internal Audit**

In addition to the planned work detailed above, the Internal Audit Team have also undertaken work in other areas for which a formal report is not issued, however time has been allocated within the 2019~20 Internal Audit Annual Plan approved by the Audit Committee in March 2019 as summarised below:-.

### **Information Communications Technology (ICT) Governance, Advice & Assistance**

- Attend the ICT Strategy Board Meetings.

### **Contracts & Procurement**

- Monitoring of the contract payments for the development of the Depot site at Green Street.
- Review and sign off the retention for the Load Street Car Park refurbishment, Bewdley in May 2019
  - ❖ This review was undertaken to provide assurance on delivery of the final stage of the detailed capital works in respect of the Medical Centre and Former Library re-development. Monthly contractor valuation certificates enabled monitoring of actual against expected spend. Invoices were sighted for arithmetic accuracy and all payments reconciled to Agresso, the Financial Management System. The formation and construction of the car park was completed in accordance with the approved capital programme.

### **Wyre Forest Forward ~ Interventions/Continuous Improvement Work**

Members of the Internal Audit Team continue to be involved in Wyre Forest Forward continuous improvement reviews; overseeing and advising on proposed system changes to ensure Key Controls are not compromised. The role of the Audit Team is to ensure that risk is mitigated in the event of proposed changes to current systems and maintain good governance and financial systems resilience.

### **Corporate Issues**

During the quarter, Internal Audit have also continued to undertake work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office to support the continuous programme of work an exercise that matches electronic data within and between the Council and other public and private sector bodies to prevent and detect fraud.

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE****29<sup>th</sup> July 2019****COUNTER FRAUD ARRANGEMENTS 2019~20**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Strategy & Finance
<b>RESPONSIBLE OFFICER</b>	Tracey Southall, Extension 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
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<b>APPENDIX</b>	Pro-Active Anti Fraud Rolling Action Plan

**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to update Members on the Counter Fraud arrangements in place looking back for 2018~19 and forward for 2019~20

**2. RECOMMENDATION**

**The Audit Committee is asked to consider and note:-**

- 2.1 **This report on the counter fraud arrangements within the Council.**

**3. BACKGROUND**

- 3.1 Resource for counter fraud arrangements within the Council rely primarily on the work of the Compliance Officers within the Revenues & Benefits Team, and the Corporate Fraud resource aligned to the Internal Audit Team. Service Managers also have a responsibility for ensuring appropriate procedures are in place to prevent and detect fraud.
- 3.2 The Council continues to commit these resources to tackling fraud to protect the public purse and also with the knowledge that it is facing significant financial challenges and therefore important that the Council minimises losses caused by fraud. All sectors are at an increasing risk of fraud and corruption and these risks are growing as fraudsters become more aware of the possibilities for committing fraud against public sector bodies. Councils are finding smarter ways of working, often embracing new technologies, enhanced digital access potentially provides gateways to more sophisticated fraud techniques, so more awareness and mitigation is vital.
- 3.3 Progress continues to be made on raising awareness to demonstrate the commitment of the Council to tackling fraud and protecting the public purse. The main focus of the awareness campaign is to improve understanding of the effects of fraud.

4. **KEY ISSUES**

- 4.1 No frauds have been detected within the Council during 2018~19. The Council will continue to work on prevention and deterrence and to demonstrate commitment, the Council reviewed its own arrangements against the Fighting Fraud & Corruption {Local Government Strategy 2016~19} Agenda.
- 4.2 The aim of the Fighting Fraud & Corruption Locally Agenda was to increase the prevention and detection of fraud and aid the recovery of funds to help ease the constant financial pressures on Council's  
The core principles are:-  
→**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 in 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 law enforcement response.
- 4.3 The Council continues to ensure a culture is maintained where fraud and corruption is unacceptable with zero tolerance and where everyone, including Members and Employees have a part to play in its eradication. As well as the potential for financial loss caused by fraud, there can also be reputational impact.
- 4.4 Having an embedded anti-fraud approach across the Council is critical to its success. The Council already have adequate effective counter fraud arrangements in place. These are continually under review, to allow for the Council to improve on the effectiveness of counter fraud arrangements and keep them updated to reflect new, particularly technology based challenges and provide a deterrent to fraudsters by evidencing the Council's commitment to identify fraud and take proactive action.
- 4.5 The Internal Audit Team review fraud risks as part of the annual audit plan for which material findings are brought to the attention of Management. Where fraud or potential for fraud is identified as a risk, Management respond satisfactorily to recommendations made by Internal Audit.
- 4.6 All public bodies are at risk from fraud in one form or another, and to acknowledge this is essential in developing an effective anti fraud response, with services understanding where the risk of fraud lies and the consequences of fraud. This ensures an effective counter fraud culture that reinforces the Council's zero tolerance toward fraud, and for individuals to identify and report potential fraud.
- 4.7 The detection and recovery of fraudulently obtained finances and assets is important and costly, there is no guarantee that the losses can be recovered. Therefore, all reasonable steps are taken to prevent fraud from entering the Council's systems in the first place.



**4.8 2018~19 OUTCOMES**

**CORPORATE FRAUD**

4.8.1 Current and emerging risks are identified from a number of sources including the National Anti Fraud Network {of which the Council is a member}, the National Fraud Intelligence Bureau, and other third party agencies e.g. Neighbourhood Watch. There are regular information alerts in the staff e-magazine Wyred Weekly and also on the information screens in Wyre Forest House to further embed an anti fraud culture across the Council.

WYRED WEEKLY	OUTLINE OF FRAUD ALERTS
11.07.18	Credit & Debit Card Fraud ~ How to Protect Your Details On ~ Line
25.07.18	Procurement Card Do's & Don'ts
22.08.18	Beware of Identity Fraud {Poster Campaign}
05.09.18	Identity Fraud Awareness Actions to Take
19.09.18	Lloyds Bank Fraud Guide
31.10.18	Protect Yourself From Cyber Crime ~ Update Your Software
07.11.18	Extortion Scam ~ Cyber Criminals Claim to Know Your Password
09.01.19	Student HMRC Scam ~ Fake Tax Scams
23.01.19	Raising Awareness ~ Quiz ~ Be Alert to Fraud
03.04.19	TV Licensing Phishing Campaign ~ Attempt To Steal Personal & Financial information
10.04.19	BT Open Reach Scam Alert ~ Attempt to Hijack Individual Broadband
05.06.19	Identity Fraud ~ How To Protect Yourself

4.8.2 In addition, specific teams are advised where the fraud alert is service specific for example, fraud cases reported nationally where there is potential for fraud and error within the Council.

REPORTED TO TEAMS	NATURE OF FRAUD ALERTS
02.07.18	National Anti Fraud Network ~ Update on Additional Intelligence Available ~ to Revenues & Benefits Team
23.07.18	National Anti Fraud Network ~ Mandate Fraud Attempts ~ to Financial Services Manager
30.07.18	National Fraud Intelligence Bureau ~ Insider Threats Identified ~ to CLT, ICT and Data Protection Officer
09.08.18	Action Fraud ~ Mandate Fraud Guidance ~ to Finance Teams, Payroll Team & Revenues & Benefits Teams
31.08.18	National Fraud Intelligence Bureau ~ Cyber Crime {Ransomware} & Crypto Currency Investment Threats ~ Corporate Director: Resources & ICT Manager
13.09.18	Lloyds Bank Fraud Guide {Top Tips} ~ to CLT, Financial Services Manager
05.10.18	Newspaper Article ~ Employee Fraud ~ to Corporate Director: Resources, Financial Services Manager
19.10.18	Password Reminder & Email & On line Scams {TV Screens}
19.10.18	National Anti Fraud Network ~ to CLT, Financial Services Manager & Revenues, Benefits & Customer Services Manager
01.11.18	Lloyds Bank Fraud Guidance Presentation ~ to Finance Team & Service Managers {Budget Holders}
12.11.18	Suspect Email Alert {Media for TV Screens} ~ All Employees
26.11.18	Over sharing on Social Media ~ All Employees
06.12.18	12 Frauds of Christmas ~ Media/All Employees {TV Screens}
21.12.18	Fraud Advisory Panel ~ Corporate Identity Fraud Fact Sheet to CLT, ICT, HR and Finance
01.02.19	National Anti Fraud Network ~ Mandate Fraud ~ to Finance Team
25.02.19	Neighbourhood Alerts ~ Tenancy Deposit Scheme ~ Fraudsters purporting to be Landlords ~ to Housing Team

4.8.3 For the financial year 2018~19, the Corporate Fraud officer dealt with 64 reported potential attempted frauds. The majority of these related to suspicious emails received in various council email accounts from unknown/unidentifiable sources. The emails are logged and forwarded to the Counter Fraud Team at the City of London Police who monitor fraudulent activity to identify trends and stop further activity. Where an email is in relation to a bank or other financial institution, these emails are also shared with their own counter fraud teams.

For the first 3 months of 2019~20, there have been 15 reports to the Corporate Fraud Officer of suspicious activity, all emails from unknown sources. The majority of fraudulent emails are stopped before they reach users mailboxes by an email gateway that filters Suspicious emails

4.8.4 Fraud awareness is also raised throughout a pro-active poster campaign across the Council sites and is supported by a dedicated corporate fraud intranet page for easy access by Members and Employees.

4.8.5 There is also in place a Pro-active Anti Fraud Plan {Appendix A}, which is a rolling document of identified work streams in respect of actioning Counter Fraud arrangements.

**4.9 NATIONAL FRAUD INITIATIVE**

4.9.1 The Council continues to contribute to the National Fraud Initiative which involves national data matching using a range of council data sets including payroll, accounts payable, licences, and insurances, and this is supported by housing benefit data which is provided by the DWP {Department for Work & Pensions}.

4.9.2 The Cabinet Office is responsible for the National Fraud Initiative. The exercise is undertaken every 2 years, with the following data sets submitted in October 2018.

DATA SET DESCRIPTION
Trade Creditors {Accounts Payable}
Taxi Drivers
Personal Alcohol Licence
Payroll
Council Tax Reduction Scheme
Housing Benefit {submitted directly by the DWP}

The outcomes of these matches were released in January 2019. Prior to release of the data matches for the Council the matches are risk assessed with a requirement to review those identified as significant. It is a resource intensive exercise, and previously resource has been aligned to reviewing those matches involving housing benefit cases to national data sets and completed by the Compliance Officers. These matches result in potential outcomes for action and recovery of public money where fraud and/or error have occurred. The outcomes to date of the core high volume matches in respect of the data sets provided by the Council are outlined in the table that follows.

4.9.3 Those matches arising from the submission of the payroll and creditors are reviewed by the Internal Audit Team.

4.9.4 Any actions or investigations that arise from these matches are formally reported via the National Fraud Initiative website following the completion of the exercise as these statistics form the national picture of the fraud landscape.

Summary of NFI Results as at 30 <sup>th</sup> June 2019 From Secure Site
<p><b>Accounts Payable {Creditors}</b></p> <p><b>701.0</b> : Duplicate creditors by creditor name ~ Reviewed all 16 matches ~ No Issues Identified</p> <p><b>702.0</b> : Duplicate creditors by address detail ~ Reviewed all 17 matches ~ No Issues Identified</p> <p><b>703.0</b> : Duplicate creditors by bank account number ~ Reviewed all 10 matches – verified the bank details to ensure no duplicate payments. ~ No Issues Identified</p> <p><b>708.0</b> : Duplicate records by invoice amount and creditor reference ~ Reviewed recommended {High} risk matches, with oversight of a sample matches deemed lower risk. ~ No Issues Identified</p> <p><b>709.0</b> : VAT overpaid ~ Reviewed sample of matches, one invoice per Supplier ID ~ No Issues Identified</p> <p><b>711.0</b> : Duplicate records by supplier invoice number and invoice amount but different creditor reference and name ~single Match ~A duplicated payment had already been repaid by credit note= <b>£868.08</b></p>
<p><b>Housing Benefit</b></p> <p><b>Report 02:</b> Housing Benefit Claimants to Student Loans~19 Matches all Processed with 1 error <b>£2,927.72</b> identified. {Housing Benefit Entitlement Adjusted for current Student Loan}</p> <p><b>Reports 13/14/18:</b> Housing Benefit Claimants to Payroll~ 74 Matches ~ 73 Processed and Cleared ~ No Further Action Required {1 @ Low Risk Awaiting Validation} ~ No Issues Identified.</p> <p><b>Reports 47.1/2/3:</b> Housing Benefit Claimants to Taxi Drivers~10 Matches ~ All Reviewed, Processed and Cleared ~ No Issues Identified.</p> <p><b>Reports 48.1/3/5:</b> Housing Benefit Claimants to Personal Alcohol Licences ~ 19 Matches ~ All Reviewed, Processed and Cleared ~ No Issues Identified.</p> <p><b>Report 49.1:</b> Housing Benefit Claimants to DWP Deceased ~ 22 Matches ~ All Reviewed, Processed and Cleared ~ No Issues Identified.</p> <p>~~~~~</p>
<p><b>Council Tax Reduction Scheme</b></p> <p><b>Report 436.1:</b> Council Tax Reduction Scheme to Pensions~ 275 Matches. All Reviewed, Recommended Matches {117} Processed and Cleared ~ No Further Actions Required.</p> <p><b>Report 440:</b> Council Tax Reduction Scheme to Payroll~ 10 Matches. 7 Matches {High Risk} Processed and Cleared ~ No Further Action Required</p> <p><b>Report 440.1:</b> Council Tax Reduction Scheme to Pensions~ 33 Matches. All Reviewed, 24 Matches {High Risk} Processed and Cleared ~ No Further Action Required</p> <p><b>Reports 459.1/2/5:</b> Council Tax Reduction Scheme to Taxi Drivers:~11 Matches. All Reviewed, Processed and Cleared. ~ No Further Action Required.</p> <p><b>Reports 460.1/3/4/5:</b> Council Tax Reduction Scheme to Personal Alcohol Licence ~ 38 Matches. All Reviewed. Recommended Matches {34} Processed and Cleared ~ No Further Actions Required.</p> <p><b>Report 482:</b> Council Tax Reduction Scheme to DWP Deceased ~ 18 Matches ~ All Reviewed, Processed and Cleared ~ No Issues Identified.</p>
<p><b>Payroll</b></p> <p><b>Report 66:</b> Payroll to Payroll~4 Matches, 4 Processed and Cleared ~ No Further Action Required</p> <p><b>Report 81:</b> Payroll to Creditors~ 10 Matches, 10 Processed and Cleared ~ No Further Action Required</p>

**4.10 COUNTER FRAUD AND CORRUPTION TRACKER**

4.10.1 In addition to the National Fraud Initiative, the Council also voluntarily participates in the Cipfa Fraud & Corruption Tracker Survey as a contribution towards the national statistics for fraud and error as identified within public organisations. The national survey enables practitioners to share best practice and focus on trends and emerging risks. Excluding housing benefit fraud, the survey collates and estimates the total figures for fraud across England, Scotland and Wales.

- 4.10.2 Following the 2017/18 survey, it was found that the main types of fraud by volume that affect local authorities are:
- Council Tax
  - Housing
  - Disabled Parking {Blue Badges} {NB: County Council Responsibility}
  - Business Rates

Council Tax fraud has consistently been the largest reported issue over the past four years. As reflected in the table detailed below, the increase in the volume of cases against the value, supported the national trend of this being an area of high volume/low unit value, as reported as an outcome within the 2018 Cipfa Fraud & Corruption Tracker, summary report published Autumn 2018.

**Council Tax Discounts & Exemptions & Council Tax Reduction Scheme {Local}**

- 4.10.3 In the Council’s submission for the Cipfa Counter Fraud and Corruption Tracker for the financial year 2018/19 the following case load with values were identified in respect of council tax frauds, with a comparison against 2017/18 provided.

Cases Investigated Detected/Prevented	Council Tax Reduction	Council Tax Single Person Discounts	Other	Total
<b>2017/18</b>				
<b>Total Number</b>	66	142	8	216
<b>Total Value</b>	£42,337	£43,764	£5,505	£91,606
<b>2018/19</b>				
<b>Total Number</b>	37	132	179	348
<b>Total Value</b>	£25,392	£30,083	£40,953	£96,428

- ➔ Council Tax Reduction e.g. where the council tax payer falsifies household income to qualify for support;
- ➔ Council Tax Single Person Discounts e.g. where the council tax payer falsely claims to be an eligible single occupier to receive 25% discount;
- ➔ Other e.g. claims for exemptions or discounts to which the council tax payer has no entitlement.

- 4.10.4 The Compliance Officers within the Revenues & Benefits Team will continue to work to protect and increase the tax base by regularly reviewing discounts and exemptions across all applicable households for 2019~20.

**Business Rates**

- 4.10.5 Business rates is an emerging issue in respect of the fraud landscape and following the 2018~19 Cipfa Fraud & Corruption Tracker Survey, Business rates as identified as the fourth biggest risk to District Councils after Housing Fraud, Council Tax and Procurement. In respect of the Business Rates for the Council, whilst there are no reported fraud cases for 2018~19, a total of 5 cases with a value of £25k were identified and included within the national statistics for the 2017~18 tracker. These related to businesses applying for small business rate relief, but upon checking their assessments, an assessment was already in place for elsewhere, which meant they could not qualify. All requests for Business Rate Reliefs are validated to ensure entitlement and mitigate against avoidance .

**Procurement**

- 4.10.6 Procurement within local authorities is perceived as one of the biggest fraud risks and fraudsters continue to adopt new methods of attempting to obtain public funds.

Mandate fraud *{fraudster purports to be from an organisation to which the Council makes regular payments and requests a change of direct debit, standing order or bank transfer mandate}* is one of the regular frauds committed against local authorities especially as many District Councils look to find smarter ways of working, embracing new technology and being more commercial to deliver services.

The council has very detailed contract procedure rules to reduce the risk of fraud in this area. Detailed internal audit reviews of procurement card spend and capital contracts are also factored into the annual audit plan. Regular ad-hoc validation checks are completed by the Corporate Fraud Resource aligned to the Internal Audit Team on any bank account changes to reduce the risk of potential fraud. These are supported by regular fraud alerts from the National Anti Fraud Network providing updates on the changing landscape adopted by the fraudsters.

### **Cyber Crime**

- 4.10.7 As the public sector becomes more digital in terms of service delivery, cyber crime becomes a growing challenge with hacking the main method of attempting to infiltrate networks. Annual penetration tests are undertaken by the ICT Team using security specialists to ensure that the council's networks {both internal and external} cannot be hacked and the Council remain compliant with the Government Public Service Network. Whilst as with all public services attempts were made to access the networks from unknown sources, none was successful. As part of the National Cyber Security Centre Pathfinder Initiative, Senior Managers attend Cyber Seminars to raise the awareness and mitigate against cyber fraud/attacks. Cyber Security Standards have been introduced for Service Managers and Data Owners to help protect the Council from threats posed by Cyber-attacks. These will be supported by the Business Continuity Plans to ensure that Cyber Crime{Fraud} is detailed as a key threat.

The ICT section continues to improve its security systems to counter the every growing threat of cyber crime and has recently started a test email phishing campaign as part of the councils on-going cyber awareness and training,

## **5. FINANCIAL IMPLICATIONS**

- 5.1 The financial implications arising from this report are as set out in Section 3, 4.9.4 and 4.10.3. The resource allocation for managing the Counter Fraud activity across the Revenues & Benefits Team and Internal Audit will continue to be monitored to ensure this area is appropriately resourced.

## **6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 Counter fraud work may have legal implications depending upon actions taken or decisions made.
- 6.2 The Corporate Director: Resources and the Council's Insurance Officer are currently reviewing the Council's Cyber Insurance options in this emerging market.

## **7. RISK MANAGEMENT**

- 7.1 Participation in national data matching exercises, such as the National Fraud Initiative, and compliance with best practice help to manage the risk of fraud across

the Council. Working with third parties, the sharing of data and contributing to national surveys allows for the identification of fraud and error and emerging risks within the public sector. This will continue to form the basis of the work for the Corporate Fraud Resource aligned to the Internal Audit Team.

- 7.2 The Compliance Officer posts within the Revenues and Benefits Team will ensure compliance across Council Tax and Business Rates to maximise income and minimise losses thus reducing the risk of error and fraud. The Compliance Officers also fulfil the requirement for a “Single Point of Contact” between the Council and the DWP.
- 7.3 In addition, the Council’s Internal Audit service is one element of the Council’s assurance/internal control framework. This Key Assurance Service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit do not have responsibility for the prevention and detection of fraud or corruption. Managers are responsible for ensuring appropriate procedures are put in place to prevent and detect fraud. Internal Audit will cover fraud risk within the risk based audit plan, and be aware within their work of risks and exposures that could lead to or indicate fraud and corruption. Internal Audit and/or the Corporate Fraud Officer will investigate any instances of fraud and corruption being perpetrated by any employee of the Council. Where relevant, Internal Audit will advise and assist Managers in any investigation.
- 7.4 The ICT Manager actively manages cyber risk to mitigate the potential for fraud. Work to strengthen the Council’s cyber defences by raising awareness with employees is in progress with advice and support for external organisations. All Service Managers and data owners have a responsibility to meet minimum cyber security standards and ensure systems and data are only accessible at the appropriate level to those authorised to access them.

**8. CONCLUSION**

- 8.1 Whilst it is acknowledged that there will always be a risk of fraud and error within the Council, the outcomes outlined within this report demonstrate the Council’s continuing commitment to a zero tolerance to fraud; and to maintaining an environment where fraud and corruption will not be tolerated. The Council will continue to manage the risk of fraud and further updates will be presented to the Audit Committee in due course.

**9. CONSULTEES**

- 9.1 Corporate Leadership Team  
Cabinet Member for Strategy & Finance  
Revenues, Benefits & Customer Services Manager  
ICT Manager

**10. BACKGROUND PAPERS**

- 10.1 Cipfa Fraud & Corruption Tracker ~ Summary Report 2018  
10.2 Cipfa Counter Fraud Centre ~ Fighting Fraud & Corruption

**Agenda Item No. 8 – Appendix 1**

<b>ACTIVITY</b>	<b>ACTIONS</b>	<b>ANTICIPATED OUTCOME</b>
<b>CORPORATE FRAUD</b>		
Fraud Awareness	Maintain continuous review of Corporate Policies to ensure they remain fit for purpose	Future proofed documents formally available on the Council’s intranet.
Fraud Awareness Training	Arrange for training material for employees and members to be available on the intranet and i-Learn Attendance at webinars	Ensure Training Material remains relevant ensuring current fraud risks are covered and outcomes from webinars attended are disseminated to all colleagues and members. Monitor use/usefulness of material available.
National Fraud Initiative	Participate in the National Fraud Initiative {NFI} Ensure key activities are completed in line with the NFI timetable. Ensure matching results from the NFI exercise are promptly reviewed and appropriate actions taken.	Fraud & Error identified and appropriate action taken. Identification of fraud risk areas. Provide a corporate level of assurance over anti fraud controls in place. Contribute to the national position on public sector fraud and report the key outcomes to the Audit Committee.
<b>KNOWN FRAUD RISKS REMAINING SIGNIFICANT</b>		
Procurement fraud risks to include use of corporate procurement cards; split contracts.	Joint working with the Internal Audit Team Liaise with Assistant Accountant {Procurement} to identify possible vulnerable areas & understand controls in place to mitigate against potential procurement fraud. Consider, scope and undertake pro-active anti fraud exercises.	Identify any vulnerable areas within the procurement activity and address to mitigate further risk exposure  Building on awareness and resilience to fraud in this area.  Review the use of corporate procurement cards {work with Internal Audit as part of the Annual Internal Audit Plan}
Recruitment to include false identity; qualifications to gain employment access to services	Working with the Internal Audit Team and HR Manager to review procedures and identify controls in situ to ensure adequate vetting of employees to ensure employees have the right to work with that information given as part of any pre-employment checks is validated .	Identify any vulnerable areas within the recruitment activity and address to mitigate further risk exposure Have regard to any GDPR implications. Building on awareness and resilience to fraud in this area.
Internal Fraud ~ Any employee could, with a delegation of responsibility perpetrate fraud against the Council.	Working with the HR Manager to identify potential weaknesses allowing employees to commit fraud against the council. Consider, scope and undertaken pro active anti fraud exercises to include a review of overtime/expense claims{fraudulent claims; manipulation of the payroll system} and the time recording system {misuse of time and	Identify any vulnerable areas within the HR21 application for payment to employees and address to mitigate further risk exposure  Building on awareness and resilience to fraud in this area and have regard to: GDPR implications; Vicarious liability in the event of a malicious data breach. To have in place

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ACTIVITY	ACTIONS	ANTICIPATED OUTCOME
	resources with employees undertaking person activities during working hours}.	safeguards {fit for purpose HR policies} to minimise the risks. Managers to be aware of their responsibility in preventing and/or identifying employee fraud by ensuring clear controls and separation of duties. Strong anti fraud culture to deter employees from committing fraud in the first instance.
Review of Gifts & Hospitality Register	Review and evaluate the extent to which the register is being utilised; whether fit for purpose and the nature of the activities/items being declared	Identification of areas where gifts and hospitality are not being recorded which may identify fraud and/or bribery/corruption where further investigation is necessary
Council Tax Discounts & Exemptions & Council Tax Reduction Scheme	Liaison with the Revenues Service Manager to review the risks of Council Tax fraud including discounts, exemptions and the local reduction scheme. Ensure there is a strategy for dealing with council tax frauds incorporating sanctions and prosecutions. Consider outcomes from the NFI.	There is a policy in place for dealing with council tax fraud.  Increase in income from a review of discounts, exemptions and the local reduction scheme. Take appropriate action where necessary.
<b>EMERGING/INCREASING FRAUD RISKS</b>		
Cyber dependent crime and cyber enabled fraud	Working with the Internal Audit Team & ICT Team as part of the computer audit reviews, review the arrangements in place for mitigating cyber attacks; division of funds, extraction of vulnerable data; false applications for services & payments. Make recommendations where cyber fraud risks are identified.	Actions taken to mitigate cyber fraud in areas of identified vulnerability. Increase awareness of cyber fraud throughout the Council.
Business Rates	In liaison with the Revenues Service Manager, understand exemptions and undertake a review of the inspection procedure for occupied/void properties.	Income generation opportunities; increase in tax base.  Mitigation of business rates fraud in WFDC.

**Reviews to have regard for the National Landscape as identified by the:-**

Mandatory National Fraud Initiative  
 Fighting Fraud Locally Agenda  
 Cipfa Fraud & Corruption Tracker  
 Emerging Issues {Particularly in relation to Cyber Fraud}