



REPORT TO: Audit and Corporate Governance
Committee

23 March 2023

LEAD OFFICER: Head of Shared Internal Audit

Governance Risk and Control Update

Executive summary

1. This report provides an update on topical news items which contribute to the Committee understanding of Corporate Governance Matters.

Key Decision

2. This is not a key decision because this is being presented to the Audit and Corporate Governance Committee in accordance with their terms of reference.

Recommendations

3. The Audit and Corporate Governance Committee is requested to note the report.

Reasons for Recommendations

4. The updates keep the Committee informed of key relevant matters.

Details

5. None.

Considerations

6. None.

Options

7. None.

Implications

8. In the writing of this report, there are no significant implications or risks to the Council.

Background Papers

9. Background papers used in the preparation of this report:
 - Committee Terms of Reference

Appendices

10. Appendices to this report include the update report.

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Committee update March 2023

Introduction

Overview and background

The purpose of this document is to provide an update to the Committee on key audit and governance themes.

The Chair suggested, at the July 2021 meeting, that a slot at the beginning of future meetings was allocated to check in on key areas of governance and provide any updates. If there are no updates in a particular area to report, that can be noted and taken as assurance.

This document provides summary updates for the Committee. Statistics are included to help provide an overview of work in progress and these are taken from the last financial quarter.

Your team

| |
|---|
| Head of Finance and Section 151 officer |
| Head of Shared Internal Audit |
| Corporate Fraud Manager |
| Monitoring Officer |
| Senior Democratic Services officer |

Committee information

[Calendar of meetings](#)


[Committee Membership and Functions](#)



Governance, Risk and Control

Internal Audit updates

Internal Audit reviews provide assurance on the Governance Risk and Control environment, and this contributes to the Annual Governance Statement.

Below are a summary of reviews completed in the last quarter:

| Review | Assurance and actions | | Summary of report |
|---|--|--|--|
| Carbon management - Strategy  | Assurance: Current: Reasonable Previous: New review Actions: Critical 0 High 1 Medium 0 Low 0 | | <p>The Council adopted a Zero Carbon Strategy in May 2020. This included aspirations to halve the District's emissions by 2030 and reduce them to net zero by 2050. It also commits the Council to reduce the Council's net carbon emissions by 45% by 2025 and at least 75% by 2030 (both based on 2018 levels). Our review concluded:</p> <ul style="list-style-type: none"> • The Council's targets are realistic; • Good progress has been made in emissions reductions; • Projects are in place to make further reductions; • Fleet diesel consumption has remained constant, which demonstrates increase in efficiency as waste rounds have increased; <p>Good progress has been made towards the Council's 2025 emissions reduction target. There are robust processes for the recording and reporting progress.</p> <p>We recommend that a stand-alone report is presented to the Green to Our Core board to provide a quantitative analysis of the Council's current position, potential gaps between expected reductions and target reductions, and the further work and investment required to meet the 2025 target. A subsequent report should be produced regarding the Council's 2030 target of a 75% reduction.</p> |

| Review | Assurance and actions | | Summary of report |
|--|---|--|---|
| <p>National Fraud Initiative - Data Quality</p>  | <p>Assurance:</p> <p>Current: Full</p> <p>Previous: Reasonable</p> <p>Actions:</p> <p>Critical 0</p> <p>High 0</p> <p>Medium 1</p> <p>Low 0</p> | | <p>We have recently processed 266,676 records for the National Fraud Initiative (NFI) exercise. This activity provides us with an opportunity to health check information governance across multiple teams to provide assurance.</p> <p>Poor quality data can undermine the whole exercise. Consequently, the Cabinet Office have introduced penalty fees for any late or inaccurate data submissions, and this could result in reputational risk for the Council. We review the data quality as part of the data extract process. Overall, our review of the data confirmed that datasets:</p> <ul style="list-style-type: none"> • complied with the NFI data specifications; and • were generally of a good quality and improved from the exercise undertaken in 2020/2021. <p>There is an opportunity to improve the quality of data by establishing consistent standards across systems. This could help the Council to make smarter use of its information assets, to link datasets to improve internal processes and the customer experience. We have communicated this back to stakeholders and data owners.</p> <p>The Cabinet Office have also confirmed that our data submission met their data quality standards.</p> |
| <p>Grant assurance - Energy Rebate Schemes</p>  | <p>Assurance:</p> <p>Current: Full</p> <p>Previous: New review</p> <p>Actions:</p> <p>Critical 0</p> <p>High 0</p> <p>Medium 0</p> <p>Low 0</p> | | <p>The Council issued an Energy Bills Rebate scheme on behalf of the Department for Levelling Up, Housing and Communities (DLUHC).</p> <p>We reviewed the internal controls and sample tested a selection of £150 payments.</p> <p>While it is not possible to completely eradicate the risk of fraud, this review provided assurance that adequate checks were undertaken to ensure recipients were eligible with the scheme conditions, and appropriate checks were made to minimise the risk of fraud and error.</p> <p>Testing helps the S151 Officer to provide assurance back to DLUHC.</p> |

Reviews in Progress and forward planning

We maintain a dynamic audit plan. Our current planned assurance and follow-up reviews include:

| Audit | Assurance type | Progress update | Scope and description |
|-------------------------------------|----------------------------|----------------------------------|---|
| Corporate Plan Objectives | | | |
| Asset Management – Land records | Data quality and analytics | This work is in progress. | Review of land records held on the asset register for assurance records are complete. |
| Capital – Asset Register | Benefits realisation | Testing is concluded. | Provide independent assurance that the implementation is completed and that there is capacity for the system to be effectively maintained. |
| Customer Portal | Making resources count | Scheduled for later in the year. | System review and consider if there are any further opportunities for improvement. |
| Housing – Allocations | Compliance | This work is in progress. | Review of processes and policies. |
| Risk management | Follow-up | This work is in progress. | Follow-up review to ensure that actions from the previous review have been implemented successfully. We will also provide advice on the Risk Management Framework. |
| Core Assurance Work | | | |
| Accounts Receivable | Key Financial System | This work is in progress. | Key financial system for the raising, collection and reconciliation of income. This is a follow-up review of previous actions. |
| Accounts Payable – Master data | Key Financial System | This work is in progress. | Key financial system for setting up suppliers, paying and reconciliation of income. We will use the latest NFI data to complete an analysis of records to reduce the risk of fraud and error. |
| Procurement – Conflicts of Interest | Key Financial System | This work is in progress. | Use the NFI results to review and feedback on any potential cases of procurement non-compliance. |
| Payroll – Core controls | Key Financial System | Scheduled for later in the year. | An annual review focussing on the key controls that support the system. |

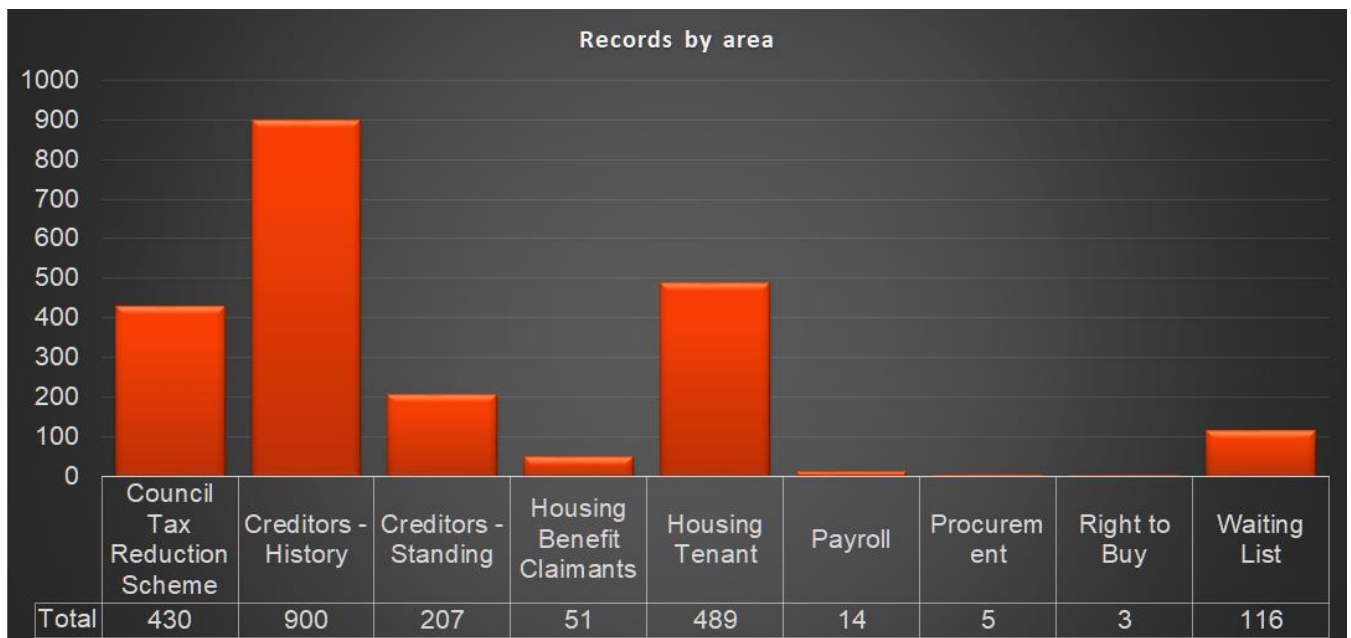
Other consultancy activities

National Fraud Initiative

The Council participates in a national data matching service known as the National Fraud Initiative (NFI), which is run by the Cabinet Office. Data is extracted from Council systems for processing and matching. It flags up inconsistencies in data that may indicate fraud and error, helping councils to complete proactive investigation. Historically this process has not identified significant fraud and error at South Cambridgeshire District Council, and this provides assurance that internal controls continue to operate effectively.

Internal Audit is the Key Contact for the National Fraud Initiative exercise. We have recently processed 266,676 records for the exercise. We provide data from: Trade Creditors, Housing, Council Tax, Benefits, Market Traders, Electoral roll, plus our Payroll and Pensions. This happens at least every two years, with the Council Tax and Electoral roll data submitted annually.

The Cabinet Office have processed the data and issued the latest matches. These are records which have matched to other datasets and could identify potential cases of fraud and error (*they could also be "false positives" with a legitimate reason for the match*).



The total volume of matches is consistent with the previous exercise in 2020/2021. Matches are prioritised according to risk and will be reviewed over the next 24 months. For further information on the National Fraud Initiative please look at their [Cabinet Office website](#).

Other updates

CIPFA has recently produced revised guidance on Audit Committees, and we will use this to assess effectiveness and opportunities for improvement in governance arrangements.

Overall assurance

The internal audit work and assurance mapping enables us to form an opinion on the internal control environment, governance and risk management arrangements.

There is currently a Reasonable level of assurance overall, which is similar level to the previous period.



Counter Fraud update

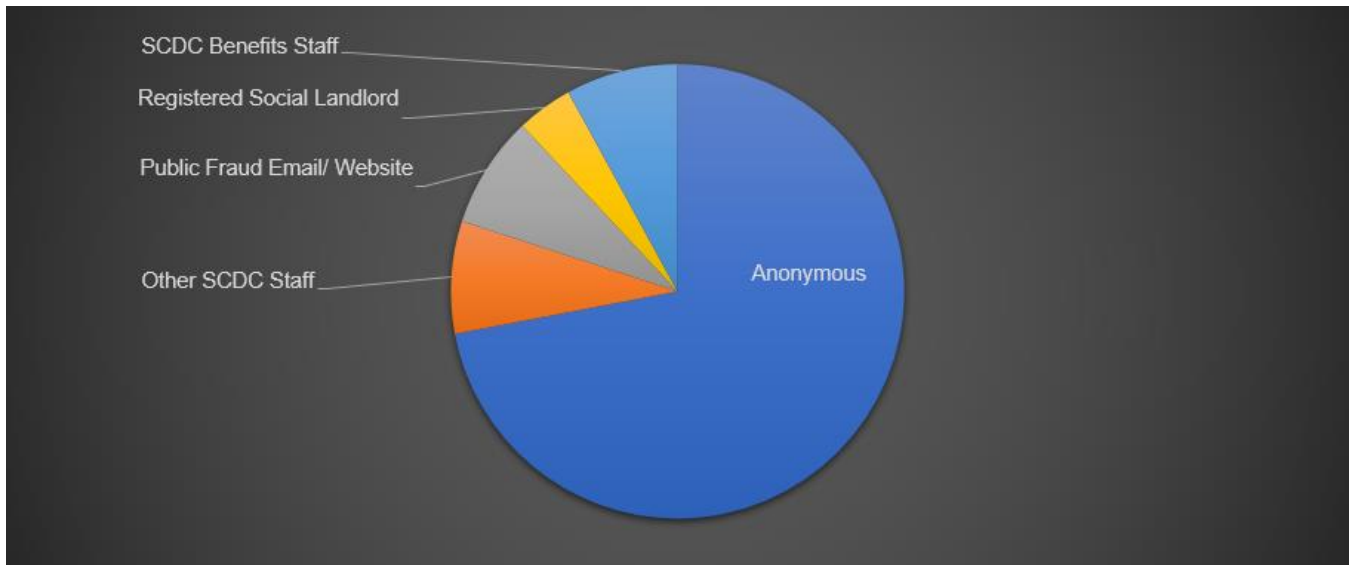
Fraud Team Statistics – our quarterly position

We have included fraud statistics below from the recent quarter. The purpose of these is to provide the Committee with an overview of the work in progress. Specific individual details are not disclosed due to sensitivity and risk of compromising any investigations in progress.

Reports of suspected fraud received

Analysis by the source of intelligence:

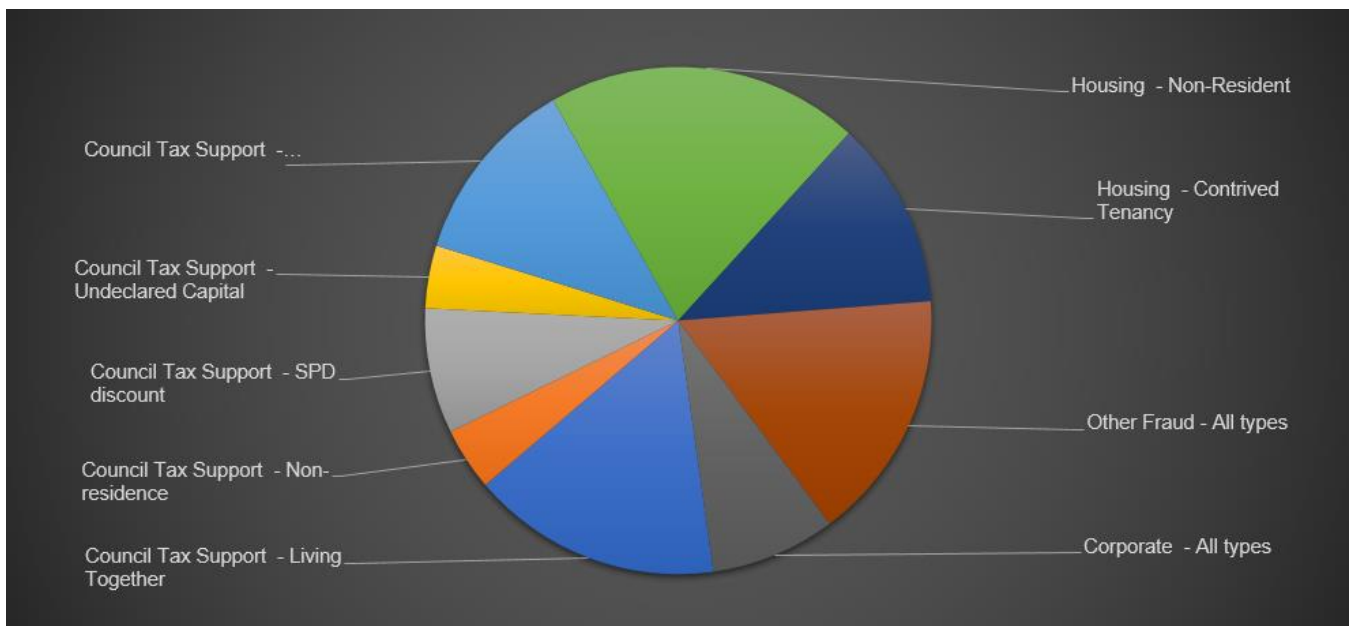
| Source category | Count Q3 |
|-----------------------------|-----------|
| Anonymous | 18 |
| Other SCDC Staff | 2 |
| Public Fraud Email/ Website | 2 |
| Registered Social Landlord | 1 |
| SCDC Benefits Staff | 2 |
| Grand Total | 25 |



Fraud by type

Analysis by fraud type:

| Type category | Count Q3 |
|--|-----------|
| Council Tax Support - Living Together | 4 |
| Council Tax Support - Non-residence | 1 |
| Council Tax Support - SPD discount | 2 |
| Council Tax Support - Undeclared Capital | 1 |
| Council Tax Support - Undeclared Income | 3 |
| Housing - Non-Resident | 5 |
| Housing - Contrived Tenancy | 3 |
| Other Fraud - All types | 4 |
| Corporate - All types | 2 |
| Grand Total | 25 |



Investigations in progress (as of 30th September 2022)

| Case Status | Number of Cases | Key |
|---|-----------------|-----|
| Live Investigation | 84 | |
| Interview Under Caution (IUC) | 2 | |
| Sanction decision | | |
| Criminal | 0 | |
| Prosecution | | |
| Administrative Penalty | | |
| Caution | | |
| Prosecution and Civil action | 0 | |
| Civil | 0 | |
| Warning Letter | | |
| No Further Action | | |
| Notice to quit (Secure or flexible tenancy) | | |
| Notice of proceedings for possession (intro tenancy) / Notice to Seek possession (secure and flexible) | | |

Investigations Closed

| Closure Reason | Number |
|--|--------|
| A14 Uneconomical to investigate | 0 |
| A10 No criminal Action, referred for Civil Action. | 2 |
| A11 Not investigated, passed for visit | 0 |
| A13 Not investigated - not on benefit | 0 |
| A4 Closed - claimant error only | 0 |
| A5 Closed- no fraud established | 1 |
| A7 Not investigated - passed to DWP | 0 |
| A8 Not investigated – referred in error | 1 |

Proactive work – Prevention

Prevention is an important aspect of our Counter Fraud arrangements.

| Education | | |
|---|----------------------------------|--------------------------------------|
| | Prevention advice to businesses. | Advice to Licensing. Housing Tenancy |
| Workshop Attendees | NIL | Within KPI |
| Campaign work | | |
| Right to buy verification enquiries reported | | |
| | 3 | 2 |
| Outstanding Right To Buy (RTB) Documents / Visit | | |
| | 0 | |
| Homelessness verification enquiries reported | | |
| | 0 | |
| General housing verification enquiries | | |
| | 0 | |
| Ermine Street | | |
| | 0 | |
| Local Authority Data Sharing Hub (LoCTA) | | |
| | 25 | |
| DWP SPOC (Single Point of Contact) enquiries | | |
| Local Authority Information Exchange (LAIEF) | | |
| | 9 | |
| General | | |
| Data Protection Act requests - External | | |
| | 0 | |
| National Fraud Initiative Matching (NFI) | | |
| Biennial exercise - Records closed | | |
| | 256 | |
| Annual exercise CT (Council Tax) / SPD (Single Person Discount) – Records closed | | |
| | 10 | |

Whistleblowing

| | |
|-----------------------------------|---|
| Referrals received in the period: | 0 |
|-----------------------------------|---|

RIPA (Regulation of Investigatory Powers Act)

| | |
|-------------------------------|---|
| Cases of RIPA used in period: | 0 |
|-------------------------------|---|

Preventing Right to Buy fraud

Following intervention from the Corporate Fraud team, a suspicious Right to Buy (RTB) application was withdrawn. This arose from suspicion that a husband and wife had effectively swapped properties and were subletting to one another. One property was located in Cambridge City, whilst the other in the South Cambridgeshire area. The couple had requested a mutual exchange which had been refused.



Suspicion was raised when an Officer noticed that transactions on a bank statement were all within the London and Cambridge City area, but the RTB tenant claimed to reside in South Cambridgeshire.

Housing and fraud colleagues worked quickly together to make further enquiries which led to the tenant being invited into an interview under caution at the Council Offices.

Following this intervention, the tenant terminated her tenancy with the housing officer. The notional loss savings attributed to the case are £87,200.

Training, development and risk insight

Fighting Fraud: Breaking the Chain

The Fraud Act 2006 and Digital Fraud Committee have published a report Fighting Fraud: Breaking the Chain.

Fraud is the most commonly experienced crime in England and Wales today. It accounts for approximately 41% of all crime against individuals. A person aged 16 or over is more likely to become a victim of fraud than any other individual type of crime, including violence or burglary. It costs the economy billions every year.

The report sets out six recommended steps to break the fraud chain:

- The UK's advanced payments infrastructure is one of the key reasons why it has become a global centre for fraud. The speed with which payments can be made must be delayed in certain circumstances to allow more time for banks to review risk signals and contact their customer about the proposed payment. The Payment Systems Regulator should consult on measures to achieve this.
- To move fraud to its rightful place as a top priority for law enforcement, fraud should be included within the Strategic Policing Requirement.
- To address the mind-boggling variety of acronyms and alphabet soup of departments, taskforces and Ministers with responsibility for fraud, a cabinet sub-committee with a clear mandate to tackle fraud should be established, chaired by and accountable to the Security Minister.
- Several sectors involved in the fraud chain have failed to prevent rampant fraud for too long. The Government must introduce a new corporate criminal offence of 'failure to prevent fraud' across all sectors to address this.
- The Online Safety Bill contains several important measures to prevent fraudulent content and scam advertising from appearing on online platforms and to hold tech companies accountable when they fail. It must be brought forward urgently.
- To create clear advice for consumers to follow to help them to prevent fraud and report it if they become a victim, the Government should oversee the introduction of a single, centrally funded consumer awareness campaign in partnership with industry.

Martyn's Law Factsheet

On Monday 19 December, the Government announced details for the Protect Duty, now to be known as 'Martyn's Law' in tribute of Martyn Hett, who was killed alongside 21 others in the Manchester Arena terrorist attack in 2017. The Home Office have [provided a factsheet](#), in preparation for introducing the Protect Duty as soon as parliamentary time allows.

External Audit timetables

The National Audit Office have produced a report on the [timeliness of local auditor reporting on local government in England](#), which provides a factual update on local auditor reporting. The number of local audits completed on time has reduced from 97% in 2015-16, to 12% in 2021-22. Local audit issues were highlighted in Sir Tony Redmond's review, published in 2020. The Audit, Reporting and Governance Authority (successor to the Financial Reporting Council) will lead local audit when they become operational from 2024.

Useful Links

| Link | Details |
|--|---|
| Public Sector Audit Appointments | PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. |
| EY.com | EY (Ernst & Young) is our current externally appointed auditor |
| Cabinet Office NFI (National Fraud Initiative) | The National Fraud Initiative is a data matching exercise which helps public sector organisations to prevent and detect cases of fraud and error. |

Note

This document will have links to external websites where it provides more information. We are not responsible for the content of external websites.