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South
Cambridgeshire
District Council

21 July 2021

To: Chair – Councillor Tony Mason
            Vice-Chair – Councillor Nick Sample
            Members of the Audit and Corporate Governance Committee –
            Councillors Jose Hales, Geoff Harvey, Mark Howell, Fiona Whelan and
            Heather Williams

Quorum: 3

Substitutes: Councillors Nick Wright, Bunty Waters, Tom Bygott,
               Grenville Chamberlain, Graham Cone, Steve Hunt and Henry Batchelor

Dear Councillor

You are invited to attend the next meeting of **Audit and Corporate Governance Committee**, which will be held in **Council Chamber - South Cambs Hall** at South Cambridgeshire Hall on **Thursday, 29 July 2021** at **10.00 a.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution *in advance of* the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
Liz Watts
Chief Executive

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Agenda

Pages

1.   **Apologies for Absence**
       To receive Apologies for Absence from Committee members.

2.   **Declarations of Interest**

3.   **Minutes of Previous Meeting**   **1 - 4**
       To confirm the minutes of the meeting held on 23 March 2021 as a
       correct record.

       Audit Reports

     Decision Items

     Information Items

8.   **Matters of Topical Interest**

9.   **Date of Next Meeting**
Tuesday 28 September at 10am.

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Disturbance by Public
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Food and Drink
Until the lifting of Covid restrictions, no vending machines are available. Bottled water is available for attendees at meetings.

Agenda Item 3

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on Tuesday, 23 March 2021 at 9.30 a.m.

PRESENT: Councillor Tony Mason – Chair
                                                   Councillor Nick Sample – Vice-Chair

Councillors: Jose Hales   Geoff Harvey
                    Bunty Waters   Heather Williams
                    Eileen Wilson

Officers: Patrick Adams   Senior Democratic Services Officer
                    Farzana Ahmed   Chief Accountant
                    Peter Maddock   Head of Finance
                    Rory McKenna   Monitoring Officer

Auditors: Suresh Patel   Ernst & Young
                    Mark Russell   Ernst & Young

Councillor John Williams was in attendance, by invitation.

1.   Apologies for Absence

Apologies for Absence were received from Councillor Mark Howell. Councillor Bunty Waters acted as substitute.

2.   Declarations of Interest

None.

3.   Minutes of Previous Meeting

The minutes of the meeting held on 24 November 2020 were agreed as a correct record, subject to the inclusion of the attendance of both Councillor Heather Williams and Councillor Eileen Wilson.

Matters arising
No updates were provided on three actions from the minutes of the previous meeting:
- An effectiveness toolkit for members of the Committee.
- Update on the internal audit of HRA gas safety.
- Update on the internal audit of the planning section.

4.   EY Progress Report on the 2018/19 Statement of Accounts Audit - Report to Follow

Suresh Patel of External Audit introduced this report. He explained that the two major challenges with the 2018/19 accounts were the implementation of a new General Ledger part way through the financial year and the use of a new Fixed Asset Register. He reported that the audit work in respect of areas of the accounts outside of fixed assets was

generally well progressed and was expected to be completed by mid-April. Following audit queries, officers had identified that they needed to carry out an extensive revisit and update of the fixed asset information. He concluded that if officers completed their work on the fixed asset register according to the stated timescale, External Audit expected to complete the audit of these accounts by the end of May.

General Ledger
It was noted that the Council had installed a new software system for the General Ledger during 2018/19 and this had created more audit work. The Head of Finance confirmed that in future, if a new system had to be installed, this would be done at the beginning of financial year.

Fixed Asset Register
The Head of Finance explained that unfortunately some of the data for the Fixed Asset Register for the 2018/19 accounts had to be re-input. He was hopeful that this had rectified the problem.

Timescale
The Head of Finance expressed the hope that the 2018/19 accounts could be completed by May this year, the 2019/20 accounts by the autumn and the 2020/21 accounts by March 2022.

The Chair asked Suresh Patel to resend him the letter asking questions on how the responsibilities of this Committee.

The Committee **Noted** the report.

5.   **Audit of the 2018/19 Accounts**

The Head of Finance presented this report on the position of the 2018/19 accounts. He explained that the officers who worked on the accounts had been busy preparing the budget for 2021/22 and this had delayed work on the 2018/19 accounts. In addition, the Auditors were auditing the Housing Benefits Subsidy claim, which had to be completed on time to avoid a potential financial penalty. Obviously Covid-19 had affected the effectiveness of staff, as they adapted to home working.

Audit fees
The Head of Finance acknowledged that audit fees for the year would be higher than expected, due to their additional work. He agreed to report back on this.

Resources
The Chair stated that accountancy needed extra resources to process the audit of accounts and suggested that this could be cost effective, as it would avoid the need to pay extra fees to our external auditors.

6.   **Regulation of Investigatory Powers Act 2000 (RIPA) Amendments to Policy, Update on use of RIPA & IPCO Inspection Report**

The Monitoring Officer and Deputy Head of Legal introduced this report, which asked the Committee to agree minor revisions to the Regulation of Investigatory Powers Act (RIPA) policy and note that the Council had not used RIPA powers since June 2020.

Councillor Eileen Wilson left the meeting at this point, due to technical issues.

The Monitoring Officer explained that the IPCO had carried out a virtual inspection on 24 February and concluded that the Council was compliant and that a physical inspection was not necessary at this time.

There were minor proposed changes to the policy which included:
- Change from the Office of Surveillance Commissioners to the Investigatory Powers Commissioner's Office.
- The authorisation period for a juvenile source was four months from the time of grant or renewal (instead of twelve months) and the authorisation should be subject to at least monthly review.
- The Chief Operating Officer takes on the responsibility of Senior Responsible Officer replacing the CEO.

The Committee **Agreed** the amendments to the Policy and **Noted** that the Council had not used RIPA surveillance powers between June 2020 and February 2021.

7.   Matters of Topical Interest

Councillor Heather Williams requested that:
- External Audit provide the Committee with an effectiveness toolkit, so that it could evaluate its performance.
- The minutes include Matters Arising to ensure that agreed actions are not forgotten.

8.   Date of Next Meeting

It was noted that the next meeting was scheduled for Thursday 29 July at 10am, although an additional meeting would have to be scheduled for early June if the audit of the 2018/19 accounts was completed by the end of May, as hoped.

The Meeting ended at 10.25 a.m.

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South Cambridgeshire District Council

REPORT TO:	Audit and Corporate Governance Committee 29th July 2020
LEAD OFFICER:	Head of Shared Internal Audit

Internal Audit Plan and Opinion

Purpose

1. This report introduces the proposed Internal Audit Annual Plan and Strategy, for 2020/21, for the next six months of the financial year, for consideration by the Audit and Corporate Governance Committee.

2. The report also includes a progress update from the past six months work, plus our current opinion on the internal control environment, governance and risk management arrangements.

3. Internal Audit Plans, and associated documents, have been created in line with best practice laid down in the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).

4. This is not a key decision because the risk based Internal Audit Plan is being presented to the Audit and Corporate Governance Committee in accordance with their terms of reference.

Recommendations

5. The Audit and Corporate Governance Committee is requested to consider the supporting information, in the appendices, to:

    (i) approve the draft Audit Plan and Strategy; and

    (ii) approve the supporting Charter and the Code of Ethics.

Reasons for Recommendations

6. The Internal Audit Plan, and associated documents, have been created in line with best practice laid down in the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).

7. The Internal Audit Plan should help add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.

Background

8. The Accounts and Audit Regulations 2015 require that the Council "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."

9. The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit "must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".

10. Appendix A is the risk based Internal Audit Plan which is continually updated. It has been based upon the Business Plan, risk registers, ongoing consultation with key

officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.

Considerations

11. The plan is the work programme for Internal Audit and provides the basis upon which the service will subsequently give an audit opinion on South Cambridgeshire District Council's (SCDC) system of internal control, risk management and corporate governance arrangements. Progress against the plan, and updates, will be regularly reported to the Committee.

12. It is good practice to operate an agile audit plan that continuously adapts in response to the governance risk and control environment of the Council. Our Audit Plan is based around a long-term framework of reviews, which typically covers a three-year period. Audits are prioritised according to several risk-based determinants. We are presenting a shorter 6-month plan, focussing on the key areas of assurance and we will bring back a further report to the Committee later in the year. This will also provide an opportunity to proactively communicate topical risks and assurance to the Committee.

13. In response to the COVID-19 disruption in 2020/2021 we refocused our resources to other immediate unplanned areas that required assistance. This included supporting the Business Grant program through both pre-assurance and post assurance work. The amount of work was greater than initially anticipated, due to the launch of additional grant schemes to support businesses, as the pandemic continued throughout the year. Consequently, our planned reviews for 2021/2022 include some activities which were deferred from the previous six-month plan. Our expectation is that, as required by the Department for Business, Energy and Industrial Strategy, we will continue to provide post assurance work throughout 2021/2022 financial year.

14. It is realistic to recognise that COVID-19's priorities will continue to constrain how service areas participate in audit activities and respond to requests. We aim to provide timely and valued assurance with minimal disruption to teams. The Internal Audit team utilises the Council Anywhere technology and smarter working. Consequently, we are in a positive position to work flexibly and continue to adapt to new ways of working. We continuously develop our self-service capability to access data and records, and the application of data analytics to provide increased insights, feedback and assurance.

15. Appendix B provides a progress update from the past six months, plus the current opinion on the overall adequacy and effectiveness of the organisation's internal control environment, governance, and the risk management framework

16. The Internal Audit Charter (Appendix C) and the Code of Ethics (Appendix D) are also appended for information. They are regularly reviewed as part of an ongoing Quality Assurance and Improvement Programme (QAIP) considering both the PSIAS and the LGAN. No changes have been made this year. It is good practice to present these documents annually as they define internal audit's purpose, authority, responsibility and position within an organization, supporting the risk-based audit plan.

Implications

17. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, there are no significant implications to the Council.

Effect on Strategic Aims

18. Delivery of the audit plan aims to provide assurance that corporate systems and processes are robust and protect the Council.

Background documents

19.   Background papers used in the preparation of this report:

- Risk-Based Internal Auditing – Working Standards and Procedures

- Public Sector Internal Audit Standards

- South Cambridgeshire District Council Risk Registers

- Business Plan

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Appendix A – Internal Audit Plan 2021/2022

1 Introduction

1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.

1.2 The Accounts and Audit Regulations 2015 require that the Council "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."

1.3 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit "must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".

1.4 Internal Audit provides an independent, objective assurance and consulting service that adds value and improves the Council's control environment. It helps the Council deliver its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

1.5 The provision of assurance is the key role for Internal Audit. This role requires the Head of Shared Internal Audit to provide an annual Audit Opinion based on an objective assessment of the framework of governance, risk management and control. This opinion is provided to the Committee and also feeds into the Annual Governance Statement. The team also completes consulting services. These are advisory in nature, and are generally performed at the specific request of management with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

2   Strategy

2.1   Greater Cambridge Shared Audit was established as a shared service between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC) in 2017.

2.2   Our aim is to deliver a co-ordinated audit plan for both Councils.

2.3   There are already a number of shared services, and this joint approach enables work to be undertaken which reflects the priorities for both Councils whilst getting the benefits of co-ordinated reviews which can be covered in partnership.

2.4   The strategy, and vision, of the Internal Audit team is: "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

3   Internal Audit Plan

3.1   Our work will support the Council's corporate objectives, and the corporate governance framework.

3.2   The plan has considered the Corporate Plan, risk registers, consultation with key officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.

3.3   This identifies potential reviews, which are subsequently prioritised. Factors taken into account include materiality; corporate importance, vulnerability, risks and opportunities. The overall aim is to add value by providing assurance, reducing risk and improving controls.

3.4   There needs to be a flexible approach to planning, to ensure that our work meets the needs of the Council in the continually changing risk and control environment. The risk-based planning approach enables the plan to be updated when new reviews are identified. The plan will be reviewed and monitored throughout the year, with regular updates reported to the Audit & Corporate Governance Committee.

3.5   The internal audit work should address key risk areas and draw attention to significant concerns and what needs to be done. Ideally

the plan will provide coverage across the whole organisation, and some reviews may be cross cutting and involve multiple teams and partners. This enables the Head of Shared Internal Audit to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement.

4   Resources

4.1   Resource requirements are reviewed each year as part of the audit planning process. The current establishment for the audit team enables sufficient resource to deliver our risk-based plan.

4.2   The broad scope of activities within the Council means that demand for potential reviews will exceed the number of available days within a year. The risk-based planning approach identifies and matches audit work to the available audit resources, based on where the most value can be added.

4.3   The Internal Audit plan needs to be fluid and flexible enough to enable the Internal Audit service to be reactive as required to situations arising during the course of the period covered by the plan. A contingency reserve element has been built in, to assist in dealing with any such matters arising to hopefully at least minimise any major impact on the work plan itself.

4.4   Time allocations within the plan are based on planning, plus experience from previous reviews. As each audit activity is fully scoped and agreed with the appropriate senior manager, each job will then be monitored to that time allocation.

5   Assurance Type and Key Themes

5.1   As in previous years, Internal Audit will continue to support the governance, risk and control environment within the Council. There will continue to be liaison with key stakeholders, such as the external auditors so that resources are used effectively. The types of audit and assurance work are:

Type	Details
Corporate Plan Objectives	Our audit plan is risk based and coverage will be prioritised towards the corporate priorities and risks to the Council, to help ensure that desired outcomes are delivered efficiently. The plan is grouped to the key objectives of the Council.
Core Assurance	We undertake audits reviews which aim to provide assurance that corporate systems and processes are robust and protect the Council. These will typically involve work around key financial systems, management controls, and programmed annual assurance.
Third party	We will take assurance from third parties where appropriate. This could include audit or review work in partnerships where another organisation is the lead stakeholder, or where a third party with professional expertise or a legal obligation has undertaken a review. If the outcome of these reviews impacts the control environment this may prompt us to undertake our own work in this area.

5.2   For each audit review, a brief description of the scope for the work is provided together with the type of audit. Timing and detailed scopes for each audit will be agreed with the relevant Senior Manager prior to commencement of the fieldwork.

5.3   Our reviews are categorised by themes to help us communicate the areas of focus. Our key themes for 2021 / 2022 include:

Theme	Details
Resilience and recovery	The plan will need to reflect the continuous changing risk and control environment from COVID-19 crisis which is driving rapid change across the Council. We will add value to the Council by providing real-time assurance on new and developing processes and controls.
Counter fraud	The fraud risk profile has increased during the COVID-19 pandemic as fraudsters seek the opportunity to take advantage of reduced internal controls and the urgency of government led support. Our plan will consider these risks and the controls.
Transformation	The Council continually seeks continuous improvement and we will review any new key systems, once they are implemented, for benefits realisation and to provide assurance that key controls continue to operate effectively.
Governance	We will review key governance areas where there is a statutory requirement to undertake specific work, and this will feature in the Annual Governance Statement.

6   **Follow-ups**

6.1   To ensure that agreed actions are being implemented, follow-up work will be carried out. If a review resulted in significant recommendations, then a full audit may be planned to evaluate the effectiveness of the implementation.

7   Other activities

7.1   In addition to delivering the risk-based audit plan, resources are allocated to deliver other assurance-based activities. Examples include:

- Advice and consultancy: (participating in working groups such as information governance, procurement and project management);

- Anti-fraud and corruption: (including response, proactive work and data analytics);

- Governance: (activities which help deliver the assurance framework including Annual Governance Statement, Risk Management).

8   Summary

8.1   The draft internal audit plan will add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.

9 Internal Audit Plan

9.1 The table below provides an overview of audit work in the plan for the next 12 months, by audit area, and a comparison with the previous year.

Audit area	Days	Current year	Previous Year
Corporate Plan Objectives	98	21%	36%
Core Assurance	48	13%	8%
Governance, Risk and Control	68	18%	24%
Other resource provisions	186	48%	33%
Grand Total	400	100%	100%

This is the expected allocation of work for South Cambridgeshire District Council and demonstrates how we expect resources to be consumed. A more detailed breakdown of planned audit work for the next six months is given on the pages that follow.

Corporate Plan Objectives

9.2   Corporate Plan Objectives are reviews of systems and processes which have been risk appraised. Where possible they are aligned to the Business Plan Objectives to demonstrate how they support the Council. The reviews planned for the next six months are listed in the table below:

Audit	Assurance type	Scope and description
Growing local business and economies		
Planning - Performance	Follow-up	Follow-up review to ensure that actions have been implemented successfully.
Planning – Decision Notice	Follow-up	Follow-up review to ensure that actions have been implemented successfully.
Program assurance - ISO14001	Compliance	Allocation of resource to provide independent assurance for the continuous ISO program for environmental standards
Program assurance - ISO9001	Compliance	Allocation of resource to provide independent assurance for the continuous ISO program for environmental standards
Housing that is truly affordable for everyone to live in		
HRA - Electrical Safety Compliance	Follow-up	Follow-up review to ensure that actions have been implemented successfully.

Audit	Assurance type	Scope and description
HRA - Gas Safety Compliance	Follow-up	Follow-up review to ensure that actions have been implemented successfully.
Being green to our core		
Carbon management - Data Quality	Data quality	Council carbon emission data is collected to produce an annual Greenhouse Gas report. Data is quality assured by Internal Audit before being published.
A modern and caring Council		
Procure to Pay	Compliance	Desktop review of the procurement system and processes. A sample of transactions will be reviewed to ensure they are promptly and appropriately authorised.
Payroll – system changes	Benefits realisation	We have allocated some resource to test the implementation of the new HR / Payroll system.
Risk management	Follow-up	Follow-up review to ensure that actions have been implemented successfully.
VAT	Compliance	Review of any recent changes to VAT rules and application in the Financial Management System. Transactional testing to consider matches from the National Fraud Initiative exercise.

Core Assurance Work

9.3 We complete reviews of systems that are fundamental to the Council's governance, risk and control environment. They will often include reviews of internal financial systems, providing assurance to the s.151 officer for their commentary included in the authority's Annual Statement of Accounts. This type of work will also include mandatory activities, such as providing assurance to third parties, such as Central Government, and can also help to provide assurance for the External Auditor. Testing may be completed throughout the year to provide continuous assurance.

Activity	Assurance Type	Scope and description
Payroll – Core controls	Key Financial System	An annual key controls audit as part of cyclical review of core systems.
Grant assurance - Disabled Facility Grant	Grant assurance	Certification of the annual grant payment from the Better Care Fund allocated to District Councils via the County Council. Review of a sample of payments made in respect of disabled facilities.
Financial Management Code	Policy and procedures	To provide assurance that the Council has effectively implemented a Financial Management Code.
Grant assurance - RHLG / SBGF / LADG	Grant assurance	Sample testing of grant payments to provide Central Government with assurance that effective internal controls were in operation throughout the grant process.

Activity	Assurance Type	Scope and description
Grant assurance – other Business Support Grants	Grant assurance	Sample testing of grant payments to provide Central Government with assurance that effective internal controls were in operation throughout the grant process. Target timeline to be defined by BEIS.
Information Governance - GDPR	Governance	Time allocated for a review of a selection of thematic areas.
Ethics, Culture and Governance	Governance	Each year we will allocate some resource to assess and make appropriate recommendations to improve the organisation's governance processes, including promoting appropriate ethics and values within the organisation.

Governance, Risk and Control

9.4 Each year the Council issues a statement on the effectiveness of its governance arrangements. Internal Audit completes work which supports the production of the Annual Governance Statement throughout the financial year. This includes:

Activity	Audit scope and description
Annual Audit Opinion	This is the annual report, produced by the Internal Audit lead for their relevant audit committee, to provide an opinion on the state of governance and the internal control framework in place within the Council.
Internal Audit Effectiveness	A regular review of the Internal Audit service, to the Public Sector Internal Audit Standards and the Local Government Application Note, is completed. This is also known as a Quality Assurance and Improvement Program.
Annual Governance Statement	Internal Audit supports the development of the Annual Governance Statement, the associated Action Plan and review of the Local Code of Governance.
Prevention of Fraud and Corruption	Internal Audit supports development and awareness of fraud and error risks across the Council. A summary is reported annually to the Audit & Corporate Governance Committee on the status and levels of fraud, whistleblowing and corruption within the Council. A national survey is completed annually to help identify potential fraud risks. In addition, Internal Audit co-ordinates, the National Fraud Initiative, a proactive data matching exercise, and is a key contact for data analytical tools.

Other resource provisions

9.5   Throughout the year, audit activities will include reviews that have not been specified within the Audit Plan, including management requests as a result of changing risks; following up agreed audit actions and completion of audit works from previous plans. Examples include:

Activity	Audit scope and description
Carry forward activities	A number of reviews continue from the previous plan, due to other activities taking precedence e.g. investigations or corporate projects.
Follow up provision	A number of audits completed in previous years, where there have been concerns identified, are followed up to ensure that agreed recommendations have been implemented. A resource is maintained for administration, review, and sample testing.
Business Grants	The team has committed resource to supporting the Business Grants Schemes being delivered by Councils for central Government. This includes reviews of controls and processes which are being developed in rapid time, controls assurance through data analytics and reconciliation of data, plus post assurance checking of transactions.
Contingency: requested work / advice / irregularities	Internal Audit act as a focal point to assist officers across the Council in providing advice / support in relation to projects; contracts; procurement or general controls. No matter how robust services and processes are, there is always the potential for anomalies to occur. Internal Audit assists by providing pro-active counter fraud work; and reactive work for suspected irregularities and whistleblowing referrals. An element of time has been set aside to allow for these activities within the plan.

Appendix B – Progress update and Opinion

1   Introduction

1.1   Management is responsible for the system of internal control and establishes policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit & Corporate Governance Committee, Internal Audit acts as an assurance function by providing an independent and objective opinion on the control environment.

1.2   The purpose of this section of the report is to provide an update on the recent work completed by internal audit and report our overall opinion on the control environment. This opinion will in turn be used to inform the Annual Governance Statement which accompanies the Statement of Accounts.

1.3   Where appropriate, reports are given an overall opinion based on four levels of assurance. This is based on the evaluation of the control and environment, and the type of recommendations we make in each report. If a review has either "Limited" or "No" assurance, the system is followed up to review if the actions are implemented promptly and effectively. Further information is available in Appendix E – Glossary of terms.

2   Resources and team update

2.1   An audit plan is presented at least annually to the Audit & Corporate Governance Committee. It is good practice to continually review the plan, to reflect emerging risks, revisions to corporate priorities, and changes to resourcing factors.

2.2   At the July 2020 meeting the Committee approved our current approach to audit planning. We recognised that due to the Covid-19 pandemic, it was better to have shorter plans which are continually reviewed. This gave us the flexibility to respond to pandemic and deliver audit plan that added value to the Council.

2.3   As anticipated, we have been providing the Council with support on Business Grant stimulus packages. The amount of resource

required for this activity has impacted our normal assurance work. However, we are pleased to have still completed audit reviews in the period as this will enable us to provide an opinion at the end of the year.

2.4   Progress of the plan delivery is illustrated on the following pages for information. We previously reported to the Committee in November 2020.

2.5   During the year we have successfully appointed a Principal Internal Auditor to the team, which was recommended by our PSIAS inspection to support our long-term development of the team. We have also subsequently appointed two Senior Internal Auditors into our vacant posts.

2.6   We started to use Teams and SharePoint software prior to the pandemic. This software enables us to hold virtual meetings and conference calling, plus co-author and display documents in real-time. We were keen to adopt this to reduce unnecessary travel between various sites, as this saves time and reduces environmental impact. A further benefit is that we were relatively well prepared to adapt to homeworking during the pandemic and can provide the Committee with assurance that we have been working effectively during this period.

3   **Assurance**

3.1   The audit plan enables me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). This opinion will inform the Annual Governance Statement.

3.2   Our work is carried out to assist in improving control. Management maintains responsibility for developing and maintaining an internal control framework. This framework is designed to ensure that:

- the Council's resources are utilised efficiently and effectively;

- risks to meeting service objectives are identified and properly managed; and

- corporate policies, rules and procedures are adequate, effective and are being complied with.

3.3 Assurance is received from a number of sources. These include the work of Internal Audit; assurance from the work of the External Auditor; the Annual Governance Statement together with the Local Code of Corporate Governance and the Risk Management process. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.

3.4 If the audit reviews undertaken identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit & Corporate Governance Committee.

3.5 It is the opinion of the Head of Shared Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment, governance and risk management arrangements, during the financial year 2020/2021. This remains at a similar level to the previous year, based on the outcomes of our work, however we recognise the risks and challenges that the Council has faced during the Covid-19 pandemic and the potential impact this has on the control environment. Consequently, our ongoing audit plan now features Resilience and Recovery as one of our key themes.

4 Independence and Objectivity

4.1 It is important that the Internal Audit service is sufficiently independent to provide an objective annual opinion. We safeguard against any potential ethical threats by preparing an Internal Audit Code of Ethics, which is presented to the Committee annually.

4.2 During the past year there has not been any impairment in independence or objectivity to the Head of Shared Internal Audit or the service itself.

5   Added Value Services

5.1 Although our primary responsibility is to give an annual assurance opinion it is also important that the Internal Audit service adds value to the organisation.

5.2 There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the year include providing advice / input to support a number of projects and key working groups, such as supporting the Business Grants process.

6 Progress against the plan

The following table summarises reviews with an audit opinion which have reached completion since our previous updated to the Committee in November 2020.

Audit	Assurance and actions		Summary of report and actions
Planning – Performance Management	**Assurance:**		We were asked to complete a review of Planning Performance and data from Quarter 2 of 2020. The aim was to review the calculation process, and the supporting evidence used to complete the returns made to the Ministry of Housing, Communities and Local Government. We considered:
	Current:	Limited	
	Previous:	New review	
	Actions:		- how decisions are recorded on the planning system; - how supporting evidence is recorded and maintained on the planning system; - how data is calculated to report planning performance to MHCLG;
	Critical	0	
	High	3	
	Medium	1	A 'Limited' rating was given based on the processes and controls examined at the time of the review. The full report was presented to the Scrutiny and Overview Committee. Actions for improving controls were agreed and we will complete a follow up to review their effectiveness.
	Low	0	

Audit	Assurance and actions		Summary of report and actions
Planning – Decision Notices	**Assurance:**		We were asked to complete a process review in response to two recent planning permission incidents, where a Decision Notice was issued in error. Our objective was to review the planning applications and the decision-making process. We considered:
	Current:	Limited	
	Previous:	New review	
	Actions:		• what has happened?
	Critical	2	• what was the root cause and did the Council comply with existing procedures?
	High	1	• what were the other contributing factors?
	Medium	0	• what are the opportunities for improvement?
	Low	0	
			We concluded there was scope to improve the design of the control framework in order to increase both efficiency and effectiveness. The full report was presented to the Planning Committee. The Planning Service have already taken positive steps to improve their internal controls, and we will complete a follow-up review to test the effectiveness of the controls that have been implemented.
Program assurance - ISO14001 & ISO9001	**Assurance:**		We maintain an allocation of resource to provide independent assurance for the continuous ISO program for environmental standards and quality standards. This supports the periodic BSI inspection, and there were no significant non-conformities arising in the period.
	Current:	Reasonable	
	Previous:	Reasonable	
	Actions:		
	Critical	0	
	High	0	
	Medium	0	
	Low	0	

Audit	Assurance and actions		Summary of report and actions
Grant assurance – RHLG / SBGF / LADG	**Assurance:** Current: Previous: **Actions:** Critical High Medium Low	Full New review 0 0 0 0	We completed the Covid-19 Small Business Grant, Retail Hospitality and Leisure Grant and Local Authority Discretionary Grant Fund Post Payment Assurance Verification Process. Grant funding was provided by the Department for Business, Energy & Industrial Strategy (BEIS) alongside guidance and conditions for allocation and accounting. As set out in the assurance and individual scheme guidance we have to provide assurance that we have minimised the risk of errors/ fraud and over/irregular payments. For each of the above schemes we provided evidence that pre and post assurance checks were undertaken across a sample of allocated grants. This included: eligibility in terms of solvency and rate payer status, state aid checks, bank account checks, application process, cost code accounting, and grant reclaim process if applicable. This provided assurance that the Council had proportionate controls in place to allocate grants to businesses in need whilst minimising risk.
Building Control	**Assurance:** Current: Previous: **Actions:** Critical High Medium Low	Reasonable Limited 0 0 0 0	We completed a follow-up review of the Building Control system, which previously had limited assurance. This provided assurance that the four high category management agreed actions from our previous review had been implemented. We reviewed the scheme of delegations, process for receipt, transfer and banking of cheque payments at the Council hubs, and reconciliation of financial records. There were no new actions arising.

Audit	Assurance and actions		Summary of report and actions
Covid19 - LA Funding Compliance and Enforcement	**Assurance:**		The Council was allocated funding for compliance and enforcement work. We obtained a complete listing of grant expenditure from the T1 Financial Management System for review and tested a sample of transactions and back to source documentation.
	Current:	Full	
	Previous:	New review	
	Actions:		All of the expenditure was eligible expenditure and complies with the conditions of the grant.
	Critical	0	
	High	0	We provided assurance to Central Government as per the conditions of the grant.
	Medium	0	
	Low	0	

7 Counter fraud and corruption update

National Fraud Initiative

7.1 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. Nationally it is estimated that this work has identified £1.69 billion of local authority fraud, errors and overpayments since 1996. 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.

7.2 We have completed the data submission for the 2020/2021 exercise. This includes extracting, checking and processing data from Council systems; plus reviewing compliance with data protection regulations. Relevant datasets include: Trade Creditors; Council Tax and reductions; Payroll; Licenses – Taxi drivers; Housing; Electoral Register; and Business Grant recipients. We successfully project managed this exercise to avoid the financial penalties from the Cabinet Office for poor quality or late data. We have now received the results (totalling 1804 records) from the data matching routine and will follow these up throughout 2021/2022 in partnership with the Fraud Team, and Revenues and Benefits teams.

8 Other audit and assurance activity

Business Grants

8.1 The team has been assisting the Council with delivery of Central Government funded Business Grant schemes. This work has included undertaking fraud and error risk assessments, so that we can proactively advise on the design of low friction controls. The schemes include funding to Retail Hospitality and Leisure, Small Business Grants, our Local Discretionary Grant Scheme, National Lockdown, Restart and Additional Resources Grant schemes.

8.2 To help safeguard the public purse and ensure that funds are provided to legitimate applicants, we have developed a post-assurance plan, which sets out checks and tests.

8.3 We are utilising government recommended tools to check applicants for compliance with scheme eligibility. In addition, we have also designed our own local assurance tools, and this has helped us to proactively prevent some applications that were non-compliant with the regulations.

8.4 The NFI system provides post assurance data matching nationally and has identified 22 cases of potential grant fraud from the first 3 schemes (totalling 2143 records) which we are investigating. We expect to upload data for the remaining grant schemes later in the year.

8.5 Locally our data matching processes have identified 29 potential cases of fraud which are being investigated. Our review process identified a potential internal control weakness and processes were immediately revised to mitigate the risk. Sixteen applications were identified as potentially fraudulent and were subsequently rejected. We work with both the Fraud Team and the Revenues team to identify potential cases and commence recovery. Information is also shared with the National Anti-Fraud Network, who is co-ordinating information nationally as per Central Government guidance.

8.6 We have completed assurance reporting to Central Government and also worked with Counter Fraud agencies to share intelligence on areas of fraud risk.

8.7 We are also expecting to provide reporting to HMRC on grant data, which will be used in a similar data matching process, as payments were taxable.

8.8 The work helps the Council to have assurance that it has taken proportionate and effective controls to mitigate the risk of fraud and error.

Public Sector Internal Audit Standards

8.9   The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity. External assessments must be conducted at least once every five years by a qualified, independent assessor. In 2018 CIPFA independently verified that we "Generally Conform" with the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).

8.10 We completed our annual internal review which provides assurance that we continue to meet the standards. We recognise that the impact of Covid-19 has meant that, while we have completed a reasonable volume of audit work, the breadth of coverage has reduced in comparison to previous years. This can potentially reduce our ability to provide a comprehensive annual opinion on the overall control environment. Consequently, the risk of not complying with the standards has significantly increased, although we expect the risk to be reduced as we return to more normal ways of working. We have been responding to guidance issued by our professional bodies, undertaking pandemic related risk assessments, and adapting our assurance approach to help maintain compliance with the standards.

Governance

8.11 We facilitated the review of the Annual Governance Statement, and updating the Local Code of Governance, which accompanies the Statement of Accounts.

Risk management

8.12 We have continued to provide support on the identification of risks and controls as part of our Internal Audit Plan.

9   **Conclusion**

9.1   The work carried out by the Internal Audit Team conforms to the Public Sector Internal Audit Standards.

9.2   A continuous risk-based audit plan is completed, providing assurance. The team also provides added value consulting activities such as providing advice and fraud and error activities.

9.3   The audit work completed in 2020/2021 has provided sufficient coverage to enable Internal Audit to form an opinion on the internal control environment, governance and risk management arrangements. There is Reasonable assurance awarded during the year, and this remains at a similar level to the previous year.

Appendix C – Internal Audit Charter

Our vision:

> **To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.**

May 2021

Next Review: By February 2022

Version Control: 1.05

1   INTRODUCTION

1.1   Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.

1.2   The Standards have been revised from 1 April 2017 to reflect the latest changes in the IPPF. In addition the PSIAS are supported by a Local Government Application Note (LGAN), published by the Chartered Institute of Public Finance and Accountancy to provide relevant sectoral requirements guidance.

1.3   The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within the Council; its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the relevant audit committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2   PURPOSE

2.1   In accordance with the PSIAS, Internal Auditing is defined as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

2.2   However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3   AUTHORISATION

3.1   The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015[1], which state 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."*

3.2   There are additional requirements placed upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA's Statement on the Role of the Head of Internal Audit in Public Sector Organisations, with Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer.

3.3   The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:

- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;

- Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and

- Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally

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[1] http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf

assisting the Internal Audit activity in fulfilling its roles and responsibilities.

3.4 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

4 ORGANISATION AND RELATIONSHIPS

4.1 Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. The following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:

- Chief Audit Executive
- Board
- Senior Management
- External Audit
- Other Internal Audit Service Providers
- Other External Review and Inspection Bodies

Chief Audit Executive

4.2 The Chief Audit Executive is the Head of Shared Internal Audit Service (HoSIAS), part of a shared management arrangement between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC). The HoSIAS reports to the relevant S151, and has access to the Chief Executive should it be required.

Board

4.3 The 'Board' oversees the work of Internal Audit. It will be the relevant audit committee of the Council, known as Civic Affairs Committee (CCC) and the Audit and Corporate Governance Committee

(SCDC), which has been established as part of its corporate governance arrangements. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;

- Progress and performance against plans;

- Annual Audit Opinion; and

- Compliance with standards.

4.4 Internal Audit will work closely with the committee to facilitate and support its activities.

Senior Management

4.5 In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Strategic Leadership Team and the Senior Management Team (CCC) and the Executive Management Team (SCDC).

External Audit

4.6 Internal Audit aims to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties. Our audit plans and reports are shared with the appointed external auditor, Ernst and Young.

Other Internal Audit Service Providers

4.7 Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with each Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing regime.

Other External Review and Inspection Bodies

4.8 Internal Audit will co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

5 OBJECTIVES AND SCOPE

5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.

5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.

5.3 A risk based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.

5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:

- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.

- The effectiveness of the Council's processes for performance management and accountability.

- The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.

- The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.

- The provisions developed to support achievement of the organisation's strategic objectives and goals.

- The systems formulated to secure an effective internal control environment.

- The completeness, reliability, integrity and timeliness of management and financial information.

- The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.

- The systems designed to safeguard Council assets and employees.

- The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.

5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.

5.6 Managing the risk of fraud and corruption is the responsibility of management. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow

fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.

5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Committee of such situations.

5.8 Risk Management is the responsibility of Officers and Members. Internal Audit is a member of the Risk Management Group at both Councils; providing advice on the development of proportionate mitigation and actions. At CCC Internal Audit is also the Strategic Lead for Risk Management and facilitates the Risk Management Strategy and Framework. Management are still responsible for identifying, managing and mitigating risks within their services. This approach does is consistent with best practice set out by the IIA.

6 **INDEPENDENCE**

6.1 Internal Audit operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the HoSIAS direct access to and the freedom to report unedited, as deemed appropriate, to the Committee, the Chief Executive, Section 151 Officer and Senior Management.

6.2 Internal Audit has no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they

had previous responsibility. The HoSIAS will confirm to the Committee, at least annually, the organisational independence of the Internal Audit activity.

7 PROFESSIONAL STANDARDS

7.1 Internal Auditors operate in accordance with the PSIAS and LGAN. The Internal Auditors are also governed by the policies, procedures, rules and regulations established by the Council. These include, but are not limited to, Financial Regulations and Contract Standing Orders, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements and all legislation affecting the Council's activities.

7.2 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. All working arrangements and methodologies, which will be followed by the Internal Auditors, are set out in the Audit Manual.

8 AUDIT RESOURCES

8.1 The HoSIAS will be professionally qualified (CCAB, CMIIA or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.

8.2 The HoSIAS will ensure that the Internal Audit Service has access to staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include systems reviews, consultancy input to new / modified systems, and special investigations. In the event of special investigations being required, there is limited contingency in the Audit Plans to absorb this work. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

9 AUDIT PLANNING

9.1 The HoSIAS will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk based methodology. This will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be submitted to the Senior Management for their approval prior to being taken forward to the Committee for final endorsement, in advance of the new financial year to which they relate.

9.2 Any difference between the plan and the resources available will be identified and reported to the Committee. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in Table 1.

TABLE 1: AUDIT ACTIVITIES	
Core system assurance work	Departmental specific reviews
Governance, Risk and Control	Follow up activity
Corporate Plan Objectives	Internal advice on risks, controls and procedures
Cross Cutting audits	

9.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work rather than as a replacement. Resources, such as specialist or additional auditors may be required to supplement this.

9.4 Annual audit plans will be discussed with Senior Management prior to their formal approval.

10 **REPORTING**

10.1 The process followed for completing each audit is set out in Table 2.

10.2 Upon completion of each audit assignment, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and

- Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales.

10.3 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Committee.

TABLE 2: WORKING ARRANGEMENTS DURING AUDITS	
Stage	**Commentary**
Audit Brief	Set up and agreed with manager(s)
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	At conclusion of fieldwork, issues raised for reporting (if not already provided during course of fieldwork).
Draft report	Produced following completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond including acceptance of actions together with timescale proposals to implement.
Final Report	Internal Audit incorporates all management comments within the report and re-issue as a final. The report will be distributed in accordance with agreed protocols (see Table 4).

10.4 It is important that following production of each audit report, there is prompt dialogue between managers and Internal Audit so that findings can be discussed, actions identified to remedy any weaknesses and finally an agreed timescale to rectify them. Internal Audit will monitor implementation and report any gaps to senior management.

10.5 Internal Audit reports include actions which are agreed with management and prioritised, plus an overall assurance opinion. These are explained further on the next page.

Assurance ratings

Term	Description
Full Assurance	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Reasonable Assurance	Controls exist to enable the achievement of service objectives and good corporate governance, and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
Limited Assurance	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
No Assurance	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

Organisational impact

The overall impact may be reported to help provide some context to the level of residual risk. For example if no controls have been implemented in a system it would have no assurance, but this may be immaterial to the organisation. Equally a system may be operating effectively and have full assurance, but if a risk materialised it may have a major impact to the organisation.

Term	Description
Major	The risks associated with the system are significant. If the risk materialises it would have a major impact.
Moderate	The risks associated with the system are medium. If the risk materialises it would have a moderate impact.
Minor	The risks associated with the system are low. If the risks materialises it would have a minor impact.

Action ratings

As part of the review we have identified opportunities for improvement, which have been shared with Management. These are developed into actions to improve the effectiveness of the governance, risk management arrangements, and the internal control environment.

Management are responsible for implementing their actions and providing assurance when they are completed. Timescales for implementing actions should be proportionate and achievable to the available resources. To help prioritise the actions we have produced guidance below:

Priority	Description	Timescale for action	Monitoring
Critical	Extreme control weakness that jeopardises the complete operation of the service.	To be implemented immediately.	Within 1 month
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	To be implemented as a matter of priority.	Within 6 months
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	To be implemented at the first opportunity.	Within 12 months
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	To be implemented as soon as reasonably practical.	Within 24 months

The Council has a Risk Management system, which is used for tracking their progress. This will be updated upon distribution of this report and we will follow up the actions where appropriate. It is the responsibility of Risk Owners and Action Owners to regularly review and update the risk register with details of action taken to mitigate the risks.

10.6 Our assurance ratings will be subject to regular review to ensure that they remain relevant and robust for the service / organisation.

10.7 Following the end of the year, an annual report will be produced setting out Internal Audits opinion on the state of the internal controls and governance across the Council. This will comment upon:

- The scope including the time period covered;

- Any scope limitations;

- Consideration of all related projects including the reliance on other assurance providers;

- The risk or control framework or other criteria used as a basis for the overall opinion;

- The overall opinion, providing reasons where an unfavourable overall opinion is given; and

- A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

10.8 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

10.9 All reports produced are set out in Table 4.

TABLE 4: PLANNING AND REPORTING FREQUENCY		
Report Produced	For	Reason
Audit Report	Chief Executive S.151 Officer Relevant Director / Head of Service	The end of each audit assignment as the main recipient and those charged with implementing the issues identified
Progress Reports (based around the committee cycle)	Relevant Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.
Annual Opinion and Performance Report	Relevant Audit Committee	End of year report in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.

Annual Audit Plan	Relevant Audit Committee S.151 Officer	Details of the future plans to provide assurance across the Council in accordance with PSIAS.

11 QUALITY ASSURANCE AND IMPROVEMENT

11.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. In the event of an improvement plan proving necessary to formulate and implement, in order to further develop existing service provisions, the HoSIAS will initiate the appropriate action and annually, the results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management and the Committee.

Internal Assessments

11.2 Internal Assessments must include on-going monitoring of the performance of the internal audit activity and these are reported as part of the annual report.

11.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the HoIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Committee. Presenting this information enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the HoSIAS.

External Assessments

11.4 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification.

11.5 The HoSIAS will discuss with the Committee and the Section 151 Officer the form of the external assessments; and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. As part of the shared service arrangements, each Council will be reviewed jointly which will reduce the level of duplication.

Appendix D – Internal Audit Code of Ethics

1   INTRODUCTION

1.1   The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of the Council's Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

2   PRINCIPLES

2.1   Internal auditors are expected to apply and uphold the following principles:

• Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
• Objectivity	Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
• Confidentiality	Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
• Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

INTEGRITY: Internal Auditors shall:

- Perform their work with honesty, diligence and responsibility;

- Observe the law and make disclosures expected by the law and the profession;

- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;

- Respect and contribute to the legitimate and ethical objectives of the organisation; and

- Maintain relationships with colleagues, internal clients and external contacts that are characterised by honesty, truthfulness and fairness

OBJECTIVITY: Internal auditors shall:

- Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;

- Not review any activity for which they have previously had operational responsibility;

- Not accept anything that may impair or be presumed to impair their professional judgement; and

- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

CONFIDENTIALITY: Internal auditors shall:

- Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate;

- Not make unauthorised disclosure of information unless there is a legal or professional requirement to do so; and

- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

COMPETENCY: Internal auditors shall:

- Engage only in those services for which they have the necessary knowledge, skills and experience;

- Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and

- Continually improve their proficiency, effectiveness and quality of their services

3 MANAGING ARRANGEMENTS:

3.1 To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;

- Quality control processes are in place to demonstrate integrity in all aspects of the work;

- All staff are obliged to declare any potential conflicts of interest, at least annually;

- Confidentiality breaches will not be tolerated; and

- All staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

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Agenda Item 7

South Cambridgeshire District Council

Report to:	Audit & Corporate Governance Committee 29th July 2021
Lead Cabinet Member:	John Williams
Lead Officer:	Peter Maddock

Annual Fraud Report 20/21

Executive Summary

1. South Cambridgeshire District Council is responsible for administering council tax support of £7,197,000, council tax disregards and discounts valued at £11,574,000.

2. The Authority manages 5,459 properties in its Housing Revenue Account valued at £1,370,952,000 and via its wholly owned subsidiary Ermine Street Housing 465 properties valued at £ 90,252,000 on the open market, and contracts valued at approximately £17 million per annum.

3. In January 2020, a Corporate Fraud Team was formed to align existing services and coordinate the approach to preventing and detecting fraud, bribery, and corruption across South Cambridgeshire. This centralised team enables the Council to focus its preventative and investigative resource to tackle different types of fraud that may occur against South Cambridgeshire District Council.

4. The Corporate Fraud function aims to develop a robust counter fraud strategy and deliver activities to protect council finances and services from abuse, through education, prevention, and remedial action.

5. This report provides an account of counter fraud related activity undertaken between 1 April 2020 – 31 March 2021 by Fraud Investigation Services, excluding the work undertaken by Internal Audit Shared Services.

6. It provides information and assurance, to the committee, relating to the work undertaken during the pandemic to deliver a centralised corporate service and to secure assets and prevent fraud.

Recommendations

7. **It is recommended that the committee:**

    i. **Considers the Annual Fraud Report as part of the framework of assurance to support the Annual Governance Statement;**
    ii. **Recommend that Cabinet adopt the fraud strategy attached at appendix A;**

    iii. **Continues their support in embedding a culture of zero tolerance and high levels of awareness regarding fraud and corruption or irregularity.**

    iv. **Acknowledges and supports good Governance in the fight against fraud;**

    v. **Supports the work of the centralised corporate fraud function in embedding an anti-fraud culture;**

    vi. **Supports new initiatives to combat and prevent fraud across the district.**

Reasons for Recommendations

8. In the current economic climate, there is an increased focus being placed on local government to protect public finds. The authority is an attractive target for fraudsters and is vulnerable to acts of bribery and/or corruption or irregularity. The pandemic has broadened the scope and demand for anti-fraud services. Delivery of Central Government support packages and financial pressures have heightened incentive and risk of abuse whilst resources are directed at delivering support packages at speed.

9. Prior to the Senior Management restructure, investigative work was undertaken and managed in departmental silos; operational practices and professional training varied, and details of investigations were kept in separate systems. Work is being undertaken to liaise with departments on our future approach to combat fraud and error and transform how we deliver the service.

10. A new corporate structure is in place with the primary purpose to continue to ensure South Cambridgeshire District Council has the resources and capability to:

- Protect the public purse.
- Work with stakeholders across the business to support the development and delivery of a counter fraud strategy specific to South Cambridgeshire.
- Provide education and fraud awareness training to staff, elected members, and the public.
- Raise awareness of the reporting mechanisms where there is suspicion of fraud, bribery, and/or corruption.
- Maintain a live corporate fraud risk assessment informing the authorities risk register, risk owners and monitor if risk falls within 'risk appetite'.
- Influence an anti-fraud culture.
- Communicate scams to the general public and council staff.
- Conduct and support ongoing prevention work.
- Successfully investigate fraud to a standard capable of securing sanctions and protecting reputation and assets pecuniary or physical, and:
- Develop professional standards.

Details

11. The Fighting Fraud and Corruption Locally plan (FFCL) broadly identifies five areas to focus activities around.

    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.*

12. Leadership Team continue to be aware and accept that anti-fraud and corruption measures start with them. The Corporate Anti-Fraud team provide an important advisory and guiding role, supporting services to take ownership of their processes and control measures in place to combat fraud, but cannot assume responsibility for operational anti-fraud controls within services and systems. The service supports the Chief Finance Officers responsibility to safeguard council assets under section 151 of the Local Government Act 1974.

> *Acknowledge – Acknowledge and understand fraud risks and commit support and resource to tackling fraud in order to maintain a robust anti-fraud response.*

13. Fraud cannot be eliminated from systems and procedures; control measures help to ensure that risk of fraud is in line with our 'risk appetite'. Understanding risk assists to reduce instances as far as possible. Workshops have been taking place to discuss fraud risk within service areas and have included fraud training. The team is committed to raising awareness of fraud throughout the business and to embedding an anti-fraud culture through engagement with stakeholders and improved accessibility to trained support and services.

> *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.*

14. Prevention work is key to protecting services, it is widely recognised that 'prevention is better than cure'. Corporate fraud work with a range of agencies and departments to prevent and detect fraud. Participating to review data matches which identify fraud and error in council services. Data matching exists within internal systems for onward reporting, for example VEPS (Verification of Earnings and Pensions – Her Majesty's Revenues and Customs) information is matched into benefit claim systems. The National Fraud Initiative produces an annual set of matches which highlight possible fraud and error by matching internal data sets against external agency data.

15. The service is committed to undertaking a review of the current case management systems in place to record information with a view to identifying where current systems can be modified to produce automated information and with a view to considering procuring systems which may improve internal data matching quality and provide future opportunity to match on a commercial basis. It is anticipated this exercise will take place within the next 12-18 months.

16. A recommendation to conduct a corporate fraud risk assessment across the businesses services was agreed by Leadership Team on 12 July 2020 and has commenced. The project relies on stakeholder engagement to identify specific, current and emerging fraud risks. It is intended that this document will remain live and contributors will be encouraged to revisit the document to reflect any operational or procedural changes which may impact upon fraud risk and control measures. Access to the document will be made available through our Corporate Fraud resources tile on Insite to improve accessibility to staff across the business.

17. The exercise has identified areas where closer working with services could help to enhance processes, for example, insurance claims made against the authority and right to buy applications. Work has commenced in both areas to review processes and make recommendations. It is intended that Corporate Fraud will verify right to buy applications in the financial year 2021/22 and conduct unannounced visits to dwellings to verify information with prospective purchasers. The presence of counter fraud activity, within the community, is essential to prevention efforts.

18. Risk assessment will inform decisions about the future approach to prevention and detection of fraud, bribery and corruption. Workshops include general education around fraud awareness and more detailed consideration of risks, faced by services, at management and operational levels. Identifying priority risks will help to direct resources to those areas most vulnerable to loss or abuse and challenge staff to review processes from a counter fraud perspective.

19. Risk assessment will highlight work to be done around processes which need strengthening, from abuse, and identify opportunities to improve control measures through design. The exercise will identify 'risk owners' and if risks are in line with the authorities 'risk appetite'. The exercise requires stakeholders to consider current control measures, at inception stage, to determine if they are currently adequate or require service management review.

   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.

20. Remedial action is integral to the organisation's effort to combat fraud. This may involve civil or criminal sanctions and publicising some actions as a deterrent to those who may consider fraud as an option in response to social and financial pressures. It is acknowledged that 'naming and shaming' is not the primary purpose of the exercise and the suitability of communications is given consideration prior to release.

21. Publication gives assurance to the broader community that South Cambridgeshire District Council takes its commitment to the protection of public funds seriously; providing value for money by ensuring funds are not misdirected by fraud.

22. Innovative ways to connect and communicate within communities are currently being considered further. For example, advertising on properties which have been recovered as the result of successful investigative work containing information to encourage the community to report fraud. Reframing remedial work within communities by publishing 'good news' stories and key handovers to those in genuine need. The service intends to nominate a member to act as Fraud Champion and to be involved in this work.

   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 and local resources.

23. South Cambridgeshire District Council has a dedicated Corporate Counter Fraud service as part of its commitment to protect scarce resources and public funds. At the time of writing this report the Service only had one qualified Counter Fraud Specialist. Currently the service has supported two officers to obtain industry accredited qualifications. The service was understaffed throughout the last financial year but has successfully recruited to the Intelligence Officer post and continues to liaise with partner agencies to deliver investigatory services.

24. Work has commenced training managers and colleagues, as part of the corporate fraud risk assessment process, around emerging trends including risks around remote working. Human Resources continue to administer mandatory anti-fraud training and education to managers around successful remote working. New HR

systems have been put in place and it is anticipated new systems will help to identify and mitigate fraud risks around HR processes.

25. Thirty-eight right to buy applications were received in the financial year 2020/21. All Right to Buy applications were verified in the financial year 2020/21 as part of prevention work. Achievable discounts have been raised to £84,600, which makes the incentive to commit fraud high. In the financial year 2021/22 Corporate Fraud aims to verify all applications and put in enhanced measures to identify, prevent and detect fraud by conducting unannounced visits to applicants. Documentation relating to Right to Buy applications has been reviewed and recommendations made have been accepted to adjust application forms.

26. A three-month pilot scheme of internal 'taxi' verification checks was conducted between June and August 2020. Internal systems were checked to verify information given on licence applications against benefits, council tax, electoral register and housing systems. Forty-eight applications were verified, thirteen matched to internal information systems which were checked and found no inaccuracies.

27. False declarations on applications can act as an early indicator that the applicant may not be considered 'fit and proper' for the purposes of the Local Government (Miscellaneous Provisions) Act 1976, s.51. Further discussion is taking place to review if the exercise adds value to existing processes by highlighting inaccuracies at inception more quickly than biannual data matching exercises. The practice of internal verification also represents joined up departmental working and best use of internal information.

28. Corporate fraud has engaged with the officer responsible for overseeing insurance claims made against the authority. Partnership work has commenced to provide assurance that claims made against the authority, are accurate. Recommendations have been made to review documentation used as part of corporate processes prior to the claim stage.

29. Corporate Fraud is working with departments to identify and highlight the existing work being undertaken to protect assets and resources within corporate sections by officers of the authority. Officers continue to highlight information within systems which is contradictory. i.e. claims value against declared income.

Insurance Case Study

A decant from a home requiring maintenance resulted in excess furniture being put into a container provided by a contractor for storage. The work took longer than estimated and some damage occurred to the stored furniture by way of mould, as a result of it being stored inadequately for the unexpected time frame.

A claim for items within the container was submitted, high values were put on some of the items. The opinion of council officers at the time was they wanted to settle as this was a difficult tenant, with whom they had a turbulent relationship.

An offer was made to the family of £5,500.00 in 2020. The family came back and rejected this offer and were asking for that payment and further payments from the council directly. A spurious email had been submitted by way of proof of purchase and further enquiries revealed that the initial information given by the claimant was false.

> Further work was undertaken with a claims handler and council officers resulting in the claimant reviewing their initial claim.
>
> This resulted in a reduction of the offer to approx. £250.00.
>
> As a result of a collaborative approach from council officers both in insurance and housing services, Zurich considered this as a potentially fraudulent claim. With the insistence from the insurance officer that a loss adjuster visit the address, it resulted in the claimant hurriedly removing the sofa. With no further evidence of its origin or value the offer was withdrawn. This claim has now been closed by our insurer and no payments have been made.

30. The service is developing a 'resources' section on the intranet containing useful information around reporting mechanisms and types of fraud to support staff awareness and accessibility to services and support.

31. During the pandemic communications relating to fraud risk and 'scams' have been communicated to stakeholders, members of the public and businesses to help protect against fraud attacks. Communications have been distributed on the basis that they have met qualifying criteria to ensure reliability by independent Fraud Experts.

32. In response to the pandemic, information was communicated with businesses, staff and the public around protection. Businesses were advised of what they could expect from the authority around the administration process of grants and resources were made available, through communications, to the general public on how to report fraud and protect against fraud.   Internal recommendations were made to those responsible for management of sheltered housing staff to protect vulnerable groups and general advice has been added to a resources page to help staff identify instances of fraud.

Reactive Fraud Work

33. Operational activity has been restricted due to the public health crisis however, opportunity has arisen to benchmark the current service, address capacity and capability issues, conduct fraud risk assessment and to develop a counter fraud strategy to protect public funds. Due to staff absence and progression capacity was reduced significantly for the third and fourth financial quarter. Whilst this has continued in the first quarter it is being addressed.

Corporate Investigations

34. Investigation of cases which relate to employee fraud or third-party fraud, falling outside of a specific service area, were recorded as one in the period of 2020/21. The enquiry is live at this time and therefore details cannot be published within the report. An external agency is acting on behalf of the authority in this matter.

Council Tax Support Investigations

35. A summary of the Council Tax Support workload for the period of 6th April 2020 to 5th April 2021 or to date is shown below.

2020/21

Total number of referrals	49
Accepted for investigation	35
Ongoing investigations at 31st March 2021	25

A summary of referrals not pursued for investigation is shown in the table below.

Details	2020/21
Poor intelligence	
Referred to external agency including Department for Works and Pensions, National Crime Agency, National Investigation Service, Her Majesty's Revenues and customs, Trading Standards etc.	
No effect on entitlement	
Preliminary investigation provided no evidence of fraud	
Uneconomical to pursue – less than £500	5
Did not Score for investigation	9

[Reports are accepted for investigation based on risk and information available i.e. there is realistic expectation of being able to successfully prove the offence].

Local Authority Error

Outcome	
Warning letter issued to claimant	1

Council Tax

	2020/21
Council Tax liability fraud including council tax discounts.	
Total number of referrals	2
Accepted for investigation	1
Ongoing investigations at 31st March 2021	0

A summary of referrals not pursued for investigation is shown in the table below.

Details	2020/21
Poor intelligence	0
Local Authority Error	0
No effect on entitlement	0
No discount present	0
Preliminary investigation provided no evidence of fraud	0
Did not meet the requirement for investigation based on risk	1

Outcome	
Warning letter issued	1
11 cases had an identified loss attached to them equating to	£21, 382.14

Outstanding cases with unknown value 25

Non-Domestic Rates – Grant Fraud

Figures relate to reported fraud cases which failed Internal Audit post verification checks.

	2020/21
Total number of referrals	19

| Accepted for investigation | 18 |
| Ongoing investigations at 31st March 2021 | 13 |

Outcome
| No evidence of fraud found | 4 |

Details	**2020/21**
Poor intelligence	1

36. The majority of referrals were accepted for further enquiries to be made to support post assurance work. One case was referred to the National Investigation Service (NATIS) for further consideration, however it was rejected on the view that there was insufficient evidence to support a criminal case. An estimated saving of £15,000 is recorded due to the refusal of subsequent grant applications following post assurance checks.

37. Information does not include any participation in verification work lead by internal audit relating to design of initial documents and participation in verifying irregularities.

Housing Tenancy Fraud

38. A summary of the Housing tenancy Fraud workload for the period of 1st April 2020 to 31st March 2021 or to date is shown below.

	2020/21
Total number of referrals	7
Accepted for investigation	6
Ongoing investigations at 31st March 2021	6

A summary of referrals not pursued for investigation is shown in the table below.

Details
	2020/21
Poor intelligence	0
Preliminary investigation provided no evidence of fraud	0
Raised in Error	1
No effect on eligibility	0
Did not meet the requirement for investigation based on risk	0

39. National notional figures are used to give a quantitative measure relating to estimated cost of housing fraud dependent upon type. CIPFA values for the relevant financial year have been applied as value of potential loss. The figure attached to the 7 reports of housing fraud, by type, equate to £519,000.

40. Comparative data collected relating to the number of cases resolved within (2019/2020) previous financial year was used to identify the impact of the pandemic on operational activity in 2020/2021. 80% of cases received in the previous financial year were closed compared to only 42% during the pandemic. It is worth noting that there was an increase in workload by 22% and the service was under resourced due to absence and staff turnover for the third quarter in 2020/2021 with two posts vacant out of three officers in post.

41. The pandemic presented challenges for the service in the last financial year. Operational activity was suspended to stop the spread of the CV19 virus around the

district, resources were redeployed from the service as part of the authorities response to the crisis, the judicial system was backlogged and additional proportionality considerations were necessary to balance remedial action against the overriding commitment to protect public health.

42. During this time work was undertaken on the pro-active side to raise the profile of corporate fraud by creating accessible learning resources, developing a strategy, review existing policy statements and supplementary guidance, undertake internal training and to commence the corporate fraud risk assessment.

Fraud Strategy

43. Attached at appendix A is the recently formulate Draft Fraud Strategy. The document is intended to act as a framework within which the Corporate Fraud team will operate.

44. The Committee within its terms of reference have a role in monitoring the strategy though the adoption of it is for Cabinet. The Committee are asked to comment on the strategy and recommend to Cabinet its formal adoption.

Options

45. To support ongoing activities necessary to achieve the strategic vision.

46. To support overarching objectives set out in the Fighting Fraud Locally Plan and align with South Cambridgeshire's Values and commitment to protect public assets and services from abuse by;

- Developing and maintaining a culture in which fraud and corruption are unacceptable
- Understanding the harm that fraud can do in the community
- Understanding our fraud risks
- Preventing fraud more effectivity
- Using technology to improve our response
- Sharing 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.

Alignment with Council Priorities

Growing Local Business and economies

47. Fraud and error limits resources available to support growth and the local economy. Where funds or resources are diverted away from those that need them the most it causes loss and disadvantage to those in genuine need.

Financial

48. After consulting with the section 151 Officer allowance has been made in the budget for the procurement of a new case management system. Fraud and error can have a significant financial impact upon resources and misdirect resources from those in genuine need.

Risks/Opportunities

49. After consulting with accountancy, it has been agreed that information contained within the Corporate Fraud Risk assessment will be made available for migration into the 4 risk database.

50. Procurement of a new case management facility may provide opportunity for commercial data matching exercises.

Equality and Diversity

51. Sanctions are imposed on the basis that any case that satisfies the Public Interest test to prosecute. Consideration is given to individual merits of the case and mitigation given as part of defence to ensure proportionality in decision making. Division of duties provides assurance to the fairness of decisions made and provides transparency.

Alignment with Council Priority Areas

Housing that is truly affordable for everyone to live in

52. Tenancy Fraud is categorised as a major risk facing all Local Authorities. By protecting assets from abuse those properties that are misdirected can be recovered and put back into the council stock.

Background Papers

Fighting Fraud Corruption Locally Strategy 2020 | Cifas

CIPFA code on Practice on Managing the risk of fraud and corruption and Managing Financial Crime

CIPFA Fraud and Corruption Tracker National Report 2020 (2).pdf

Fraud_in_Emergency_Management_and_Recovery_10Feb.pdf (publishing.service.gov.uk)

Government Counter Fraud Standard Report - Updated June 2020 (publishing.service.gov.uk)

Appendices

Appendix A: Fraud Strategy

Appendix B: Scoring Fraud Reports Desk Aide

Type of Fraud Suspected	Choose One	Capital	6
		Living Together - partner named	5
		Living Together - partner not named	2
		Undeclared Work - employer named	10
		Undeclared Work - employer not named	4
		Non-dependants - named	5
		Non-dependants - not named	1
		Non-residency - alternative address known	25
		Non-residency - alternative address not known	10
		Tenancy contrived/non-commercial	4
		Undeclared income/pension	10
Declared Income	Choose One	DWP Benefits	10
		Working or Self Employed	10
		State or Private Pension	6
Household	Choose One	Single Person	8
		Partner/Married/Civil Partner	10
Referral Quality	Choose all that apply	Times of movements	10
		Vehicle descriptions	5
		Vehicle index numbers	10
		Descriptions of people	4
		Website address/details	10
Informant	Choose One	Anonymous	5
		Named Informant	10
		SCDC staff	11
		DWP FPA 2 or 3	30
Tenure Type	Choose One	Council Tenant	10
		Private Tenant	10
		Owner Occupier	6
Overpayment/ corroboration	Choose all that apply	Overpayment >£750 already calculated	50
		LOCTA Search Corroborates	10
		Other reliable corroboration	10

Report Author:

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Appendix A.

South Cambridgeshire District Council:

Counter Fraud and Error

Strategy Statement

Version	1.0
Ownership	Peter Maddock (Head of Finance)
Approved by	
Approval date	
Publication date	
Date of next review	As required

Contents

Introduction

South Cambridgeshire District Council ('the council') is committed to combatting fraud and corruption.

In order to achieve this vision, we are committed to:

- ➢ Identifying risk of fraud, corruption and misappropriation within the business
- ➢ Promote professional standards and probity
- ➢ Investigate reported fraud and administer sanctions and redress
- ➢ Protect public funds through prevention initiatives and identifying offenders
- ➢ Delivering value for money.

The council will maintain systems and procedures to assist in the prevention, detection and investigation of fraud. This strategy will be reviewed every two years.

An annual report to the Audit and Governance Committee on performance against the counter fraud strategy will be submitted for scrutiny. The report will include an assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.

This document sets out the Council's strategy to tackle fraud and corruption. The statement should be read in-line with South Cambridgeshire District Council's Anti-Theft, Fraud and Corruption Policy.

Purpose

The Council recognises its fiduciary role to protect public funds and to mitigate the risk of fraud by operating suitable control measures, monitoring risk, and pursuing redress for those who attempt to deliberately defraud the public purse.

To maximise financial resources and deliver value for money the Council will endeavour to implement secure systems and adopt robust processes when allocating and administering services and resources.

It is recognised that maintaining resilience to fraud and corruption is a priority within the business plan to protect limited resources. The S.151 officer maintains responsibility for overseeing the delivery of the counter fraud strategy to protect public funds.

Action will be taken against perpetrators found guilty of fraud, including members, officers, contractors, external individuals and businesses. (South Cambridgeshire District Council , 2009).

The strategy is underpinned by key principles identified within the Corporate Framework, The Fighting Fraud and Corruption Locally Plan Annexe A (CIPFA Fighting Fraud Corruption Locally Strategy, 2020), Council Constitution, Corporate Values, and the Nolan Principles of Public Life.

Our Values:

 ➢ Connecting people, places and partnerships and working together
 ➢ Integrity and honesty to ensure that we are open and accountable
 ➢ A dynamic approach to the delivery of services with drive and energy
 ➢ Supporting innovation, doing things differently and better

Definitions

'Fraud' is defined as set out in the Fraud Act 2006. (2006 c.35). For reporting instances of fraud SCDC uses the standard from civil law, the balance of probabilities test.

'Corruption' is defined as offering or acceptance of inducements designed to influence official action.

'Risk' is defined as the possibility of an adverse event occurring or a beneficial opportunity being missed. If realised it may affect the achievement of objectives and can be measured in terms of likelihood and impact.

'Risk Appetite' is defined as the amount of risk the organisation is willing to accept at the enterprise level.

'Irregularity' may be any significant matter or issue, other than fraud or corruption, which may warrant consideration or investigation. An example of an irregularity may be where a member of staff makes a genuine error or mistake in the course of their duties/responsibilities, but where this

error or mistake is subsequently hidden, perhaps to the on-going detriment of the Council. Additionally, an irregularity may also involve consideration of the possible inappropriate use of Council funds or assets, which may or may not constitute fraud, theft or corruption.

Our Approach

South Cambridgeshire District Council's approach to achieving our vision aligns with national strategies to adopt a coordinated response to fraud and corruption perpetrated against the council by focussing on key pillars of activity;

Govern, Culture and Standards

South Cambridgeshire District Council's Leadership Team acknowledge the threat of fraud and corruption and the harm it can cause to the organisation, its aims and objectives, and to its service users. (CIPFA, 2015).

The Leadership Team also acknowledge their responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all departments of the organisation. (CIPFA, 2015, p. 4).

Good Governance to embed a robust counter-fraud culture is key to combat fraud and corruption. The Nolan principles are enshrined in corporate policy and procedures to promote a counter-fraud culture through process design and conscientious asset and resource management. Annexe B.

The Council will work jointly with stakeholders including other public bodies such as Trading Standards, Department for Work and Pensions and Cambridgeshire Police to prevent and detect benefit fraud. Information will be shared with partners and external agencies where the law permits to prevent and detect crime.

Managers and staff at all levels have a duty to protect their service area from losses as a direct consequence of fraud, error, and irregularity. Managers are responsible for implementing and reviewing internal controls and all staff have a duty to adhere to processes in place to reduce the risk of fraud. Corporate risk assessment processes identify 'risk owners' for the purpose of reviewing all controls as procedures are adapted.

Risk identification is essential to understand specific emerging trends faced by the Council and is routinely considered as part of the Corporate Risk Management and Internal Audit Framework.

Breach of process by officers, members or contractors, resulting in material loss to the Council, may result in disciplinary and/or other remedial action.

Any staff member, Member of the Council or contractor who has suspicions that fraud is occurring must report this with full details in line with Council Policy. Allegations relating to a Member of the Council or colleagues should be reported to the Head of Finance i.e. Chief Finance Officer.

In the absence of the Head of Finance, concerns may be raised with either the Monitoring Officer, Chief Operating Officer, the Chief Executive or, in accordance with the Council's Whistleblowing Policy.

Awareness and vigilance are promoted through provision of easily accessed resources to support the identification of fraud and to confidentially report suspicions of fraud on internal and external platforms.

Intolerance towards fraud will be encouraged within South Cambridgeshire communities through publicity and education to highlight the cost of fraud to the community. Providing accessible fraud awareness resources will empower the community to assist in identification and prevention.

Resources and Performance

The strategy includes both proactive and responsive approaches that are best suited to South Cambridgeshire District Councils specific risks. Dedicated and coordinated resources are critical to prevent and detect fraud.

Internal Audit and the Fraud Investigation team will maintain an awareness of developments in the field of counter-fraud and review any resource requirements identified in developing the scope of the service.

The service has two qualified Accredited Counter Fraud Specialists and protocol is in place to employ the services of an Accredited Financial Investigator on an adhoc basis.

Performance will be measured and monitored and reported to the Section 151 Officer on a quarterly basis in addition to an annual report submitted to the Audit Committee each financial year.

Performance will be measured against;

- ➢ Service Plan Targets
- ➢ Individual performance and development targets
- ➢ Participation in Data matching exercises (inc. National Fraud Initiative)
- ➢ SCDC values and objectives
- ➢ Development of value for money prevention and recovery initiatives
- ➢ Delivery of awareness and organisational training needs
- ➢ Measurement of sanctions imposed against referred cases
- ➢ A quality assurance process
- ➢ Service Benchmarking

Acknowledge

Fraud cannot be eliminated from systems and procedures. Identifying risk is the first step for managers or 'risk owners' to review administrative systems and procedures, in place, to ensure their continued suitability as internal arrangements change and external factors have an impact i.e. advances in technology and legislation changes.

Managers are responsible for ensuring counter fraud staff are given unhindered access to its employees, information and other resources as required for investigation purposes.

Human Resources maintain responsibility for ensuring the suitability of all employees to undertake work on behalf of the Council. Recruitment will take place in line with policy to ensure that the appropriate references are sought, and some post holders will be required to undergo further security checks prior to appointment.

Information Technology Services maintain responsibility for cyber security throughout the business. Staff are forbidden from accessing or amending personal records relating to themselves, their relatives, or friends without prior authorisation in writing from the Head of Service area. This extends to benefit and council tax support claims and any other discounts or applications for services. Any person/s found in breach of this protocol will be subject to disciplinary action for gross misconduct.

Staff, Members, Contractors and external agencies play a role in reporting fraud. The service has online and internal platforms to report fraud and existing policy is in place to ensure confidential concerns, 'whistleblowing', can be raised without fear of repercussions.

An internal resources page provides information on types of fraud to aide staff in identification and reporting and will host the risk assessment. A shared mailbox is monitored to receive information and reports of fraud from external sources during working hours.

Prevent and Detect

A new approach is being taken to identify current and emerging fraud risk and deploy resources. A risk assessment is in place to identify existing and emerging fraud risks and to capture the control measures in place to actively prevent fraud and error in systems.

Details within the assessment are intended to be made 'live' and internal access will be given to risk owners for the purpose of review as industry, technological and legal developments impact upon current processes. The goal is to encourage staff at all levels to consider fraud prevention as an integral part of providing and administering services.

Changes to the fraud risk assessment will be reported back to the Leadership Team, Internal Audit and Investigation Staff on a six -monthly basis. The assessment will assist to focus resources towards those areas most at risk of abuse and identify when resources need to be redirected quickly in response to emergency and unforeseen changes in circumstances. The adequacy, appropriateness and effectiveness of internal controls will be independently monitored by the Internal Audit as part of their programme of work. (South Cambridgeshire District Council , 2009)

Service managers maintain responsibility for implementing robust internal controls and security measures and for ensuring that staff adhere to agreed processes when administering public funds and assets on behalf of the Council.

Social Media campaigns and signposting to resources are used as part of the Council's prevention campaign along with sanctions and redress. The outcomes of successful prosecutions will be publicised to raise awareness, provide assurance to communities that the Council takes fraud seriously and to act as a deterrent to others from committing fraudulent activity.

The Council will participate in data and intelligence analysis exercises hosted by the National Fraud Initiative, Locta, and Housing Benefit Matching Service and seek opportunities to participate or facilitate local data matching exercises to detect fraud and error across directorates and cross-border localities.

Fraud referrals will be accepted for investigation based on risk and local intelligence, balanced against the likelihood of conducting a successful investigation. Where loss has been identified below a financial threshold from the outset, without the possibility for detection to identify further loss, consideration will be given as to whether conducting further investigation is economical or if low cost initiatives should be initiated to reduce repeat loss and recovery.

Residents play an important role in reporting fraud to the service; which is dedicated to taking the anti-fraud message into local communities. High impact, low cost solutions are continually explored to communicate the message to our communities that The Council will not tolerate abuse of public funds and services. This may include advertising on properties where possession is the consequence of investigation work and sanctions.

Cross agency working is essential to prevention efforts and detection. Officers work with external agencies and stakeholders in our daily business to combat fraud. The Council will work with partners, co-operating to assist and identify opportunities to mitigate fraud risk, error and detect crime.

Where the law allows the business will share information to facilitate the swift detection of fraud. The Council participates in data matching exercises at a national level and is willing to participate and lead in local initiatives to produce improved quality data sets and intelligence.

Protect

The Council has a duty to protect public funds from deliberate exploitation. All employees have responsibility for considering the risk of fraud and abuse within their respective service area and to review control measures and act where risk is deemed to exceed an acceptable level ('risk appetite').

The Audit & Corporate Governance Committee is responsible for ensuring that the Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures

which define the roles of management and Internal Audit; and, that the Council monitors the implementation of the relevant policy.

This strategy is intended to be considered alongside other council policies and should be read in conjunction with any relevant policies relating to fraud and fraud management. Including:

- ➢ The Council Constitution: The Council's Constitution; Including Financial Regulations and Contract Regulations which detail protocols around procurement
- ➢ Internal Audit of controls and processes
- ➢ Protocol on Member- Officer Relations
- ➢ Officer Code of Conduct
- ➢ Member Code of Conduct
- ➢ Member ToolKit
- ➢ An Anti-Fraud and Corruption Policy
- ➢ A Whistleblowing Policy
- ➢ Recruitment Policy and vetting protocol
- ➢ Disciplinary Policy
- ➢ Enforcement and Inspection Policy
- ➢ A Register of Interests and Hospitality
- ➢ Data Protection Policy
- ➢ ICT user Security Policy
- ➢ Customer Feedback Procedure
- ➢ Public Registers
- ➢ Procedural Guidance for Planning and Licensing
- ➢ Professional Memberships and access to industry guidance
- ➢ Nominating a 'Counter Fraud Champion'
- ➢ Internal controls when administering claims and services
- ➢ Services to assist staff with debt and financial or other welfare issues
- ➢ Awareness of Fraud and Corruption and access to staff training.

The Council will maintain a dedicated Counter Fraud Investigation Team separately to the main body of staff involved in administering funds and services on behalf of the authority. Members of the investigation Team will undergo formal training commensurate to grade and role. Team members

will attend refresher training to ensure knowledge and skills are updated and demonstrate commitment to continued professional development to provide quality assurance. Members of the Team will seek to obtain membership of the Government Counter Fraud Profession when it becomes accessible to Local Authority Officers.

Corporate Membership to the National Anti-Fraud Network (NAFN) for the purposes of securing evidence of fraud and to The Chartered Institute of Public Finance and Accountancy (CIPFA) for industry guidance, will be maintained. Participation in other professional groups will be supported i.e. The National Investigation Officers' Group (NIOG). Registration to professional forums for industry up-dates will also be encouraged i.e. Fraud Advisory Panel.

Pursue

Officers will investigate referrals of fraud in accordance with legislation governing criminal investigation procedures and practice with the upmost of professionalism. Investigating officers will make an impartial recommendation to a Sanctions Panel, (comprised of a service manager, a legal representative and the Corporate Fraud Manager), when submitting the summary of investigation report (MG5) based on evidence gathered.

Where the evidential threshold is met for either civil or criminal sanctions to be imposed, recommendations may include civil penalty fine, refusal of a service or funds, possession of property and issue of warnings, or criminal sanctions including administrative penalties, simple caution and prosecution.

Decisions to pursue remedial action will be made by the panel to ensure equity, consistency, and transparency across services. A quorum of three individuals will sit on the Panel, to consider officer recommendations, and include the relevant service manager according to the nature of the fraud. This arrangement provides a division of duties between investigating officers and decision makers.

Monitoring of sanctions decisions against protected characteristics will be adopted to comply with the Equality Act 2010. Sanctions and redress will be considered in accordance with the individual merits of the case and if the 'Public Interest Test' for prosecution is met [where this is considered the appropriate sanction].

Officers will work with stakeholders to instigate redress, including the recovery of assets using civil and criminal sanctions. The team will maintain detailed records of all investigations and prevention work securely for use in criminal proceedings. Only individuals, named by the Section 151 Officer, will have access rights to information contained within Corporate Counter Fraud case management systems for specific purposes.

All employees of the Council shall maintain accurate and thorough documentation in relation to administration of claims and other services within their respective area of business. Where records are found to be inadequate during any investigation this will be highlighted to the Leadership Team and Heads of Service for review. All employees have a responsibility to maintain records in relation to day-to-day business processes, subject to meeting the requirements of the Data Protection Act and subsequent regulations relating to record retention.

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Annexe A.

The Local Government Fraud Strategy: Fighting Fraud and Corruption Locally which means the Council will:

- ➤ Govern the anti-fraud, bribery and corruption measures to ensure they are robust and holistic;
- ➤ Acknowledge the threat of fraud and the opportunities for savings that exists;
- ➤ Prevent and detect all forms of fraud;
- ➤ Pursue appropriate sanctions and recover any losses;
- ➤ Protect itself and the community against serious and organised crime, protecting the organisation from becoming a victim of fraud.

Annexe B.

Nolan Principles of Public Life (Life, 1995)

- ➤ Selflessness - Act solely in terms of the public interest.
- ➤ Integrity - Avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- ➤ Objectivity - Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- ➤ Accountability – Be accountable for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- ➤ Openness - Act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- ➤ Honesty - Be truthful.

➢ Leadership - Holders of public office should exhibit these principles in their own behavior. They should actively promote and robustly support the principles and be willing to challenge poor behavior wherever it occurs.