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CITY OF **Lincoln**
COUNCIL

AUDIT COMMITTEE

Tuesday, 11 December 2018 | **6.00 pm** | **Committee Room 1, City Hall**

Membership: Councillors Geoff Ellis (Chair), Sue Burke (Vice-Chair), Thomas Dyer, Jim Hanrahan, Gary Hewson, Ronald Hills and Laura McWilliams

Independent Member: Jane Nellist

Officers attending: Democratic Services, Rob Baxter, Paul Berry, Sally Brooks, Jaclyn Gibson, Matthew Hillman, Pat Jukes and John Scott

A G E N D A

Audit Committee   **27 September 2018**

Present:	Councillor Sue Burke *(in the Chair)*
Councillors:	Thomas Dyer, Jim Hanrahan, Gary Hewson, Ronald Hills and Laura McWilliams
Independent Member:	Jane Nellist
Apologies for Absence:	Councillor Geoff Ellis

25.   <u>**Confirmation of Minutes - 19 July 2018**</u>

RESOLVED that the minutes of the meeting held on 19 July 2018 be confirmed.

26.   <u>**Declarations of Interest**</u>

No declarations of interest were received.

27.   <u>**Annual Governance Statement Monitoring**</u>

Pat Jukes, Business Manager, Corporate Policy:

a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2017/18 Annual Governance Statement (AGS), which Audit Committee had a role to review

b. stated that the report provided details of the monitoring arrangements for the significant internal control issues raised in the latest AGS

c. reported on the key actions scheduled to be implemented over the coming months and progress made against the one significant issue remaining, now considered by the responsible officer to be amber, as detailed at Appendix A to the report

d. advised that the key actions would be reviewed by the Service Manager's Group as well as monitored by the Audit Committee

e. highlighted the following five areas not considered as significant issues although a retained focus was still required, as detailed at Appendix A to the report:

- Partnership Companies
- Loss of Compliance to Lincoln Project Management Model
- Western Growth Corridor
- Use of Professional Advice
- Responsible Officers

f. requested that members of Audit Committee give consideration to the content of her report.

Members discussed the report in further detail, raising concerns in the following areas:

- How were major projects tracked if not through a project register?

- <u>Officer Response</u>: Projects were monitored through the Vision Groups which acted as Project Board for each priority.

- It was important that risks were reported through to the project register and from the project board through to Audit Committee.

- <u>Officer Response</u>: Mega projects had their own boards. Any risk issues were reported through to these boards and if serious enough to Corporate Management Team (CMT). The Strategic Risk Register presented annually to Audit Committee would flag up any corporate issues and if any project risks were identified as strategic, would be included in this register.

- Projects with risks evolving more than once a year would not be picked up by Audit Committee in the annual Strategic Risk Register report.

- <u>Response by Audit Manager</u>: Audit Committee did have a role to play in the monitoring of strategic risk management. Should members require assurance on key risks to the authority it was possible to bring a report back to a future committee meeting.

RESOLVED that:

1. Information requested by members on reporting arrangements in relation to risk mitigation/recommendations be presented to the next meeting of Audit Committee.

2. The content of the report be noted and monitoring arrangements be continued.

28.   Annual Complaints Report 2017-2018

Pat Jukes, Business Manager, on behalf of Joanne Crookes, Customer Services Manager:

a. presented the annual complaints report which included reference to the Annual Review of Local Authority Complaints, issued by the Local Government and Social Care Ombudsman (LGSCO), together with details of the overall number of complaints received by the Council including response times and percentage of complaints upheld on a directorate basis for the full year 2017-2018

b. reported on the Council's internal formal complaints procedure noting that staff were encouraged to seek solutions at the first point of contact or otherwise resolve the issue at the earliest opportunity

c. advised that there was no published time target for the handling of complaints, however, resolution times were recorded and reported to Departmental Management Teams (DMT's)

d. reported that the number of complaints received last year had reduced overall compared to the previous three years with a slight improvement in the amount of time taken for officers to respond at 6.2 days over all four directorates

e. detailed further the breakdown of directorate complaints at paragraph 4 of the report

f. highlighted that in 2017/18 the Local Government Ombudsman (LGO) considered 12 new complaints and made decisions on 15 complaints about City of Lincoln Services, compared to 10 complaints the previous year and 27 in the year 2015-16; appropriate action was taken as detailed within Section 5 of the report

g. outlined the detail of the one complaint upheld as detailed at paragraph 6.1 of the report

h. reported that three Housing Ombudsman Service complaints had been investigated during this period compared with four the previous year, of these one was still under investigation and the remaining two had not been upheld

i. highlighted the trend in complaints as detailed at paragraph 8 of the report

j. highlighted the number of compliments received from members of the public acknowledging professionalism of staff across all service areas

k. invited members' questions and comments.

Members of Audit Committee discussed the content of the report in further detail. It was noted that complaints were reducing and dealt with appropriately by the Council.

RESOLVED that the content of the 2017-2018 complaints report be noted.

29. **Internal Audit Progress Report**

John Scott, Audit Manager:

a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed during the period May – August 2018, as detailed at Appendix A

b. highlighted that Audit Committee had the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of public sector internal audit standards

c. advised that the report covered the following main areas:

- Progress Against the Plan
- Summary of Audit Work
- Implementation of Audit Recommendations
- Current Areas of Interest Relevant to the Audit Committee

d. outlined details of audits carried out in the following areas all given substantial assurances as follows:

- Council Tax (17/18)
- Planned Maintenance (17/18)
- Risk Management
- Sincil Bank Regeneration

e. reported on other significant work ongoing, audit plan changes, audits currently in progress, audit recommendations overdue and not yet due, performance information, other work in progress and matters of interest as detailed within the report and associated appendices

f. requested members' consideration on the content of the report.

Members discussed the content of the report in further detail.

The following questions emerged:

- Question: In relation to the audit of planned maintenance, what assurances were provided on historic listed buildings/other properties aside from residential dwellings?
- Response: This audit focussed on housing/decent homes, although work had been completed in the past relating to other areas of property maintenance. A report would be presented to Audit Committee in due course on current maintenance budget/investments.
- Question: How much time had been spent on the Values and Culture Review to date, and why was a further 20 days' work including overtime required?
- Response: This work focusses on an ethical governance review aimed at holding standards in public life for both members and officers. It is an extensive review which required 10-15 days development time. Twenty days work time had been allocated so far, however, it was likely to take 30 days work in total. Once at reporting stage, feedback would be given to members. Information on the process could be provided at the next meeting of Audit Committee if this helped.
- Question: In relation to the audit of planned maintenance, did council officers carry out inspections on work carried out by Kier and Aaron contractors?
- Response: The contractors have their own quality control, however, the council carried out additional checks. External inspections are also carried out for gas work. Inspections did go ahead. The recommendation that came out of the audit was to monitor post inspection levels by Kier and Aaron and record council post inspections levels and results.
- Question: It was noted that some of the audit recommendations in respect of implementation of ICT mobile devices had been extended from 2016 to 2019?
- Response: IT monitor live devices. Asset registers are maintained by IT although it was time consuming to go round every office at the council to carry out checks. The matter has been prioritised to be completed as soon as possible.
- Question: Would it be useful to request officers to attend the next meeting of Audit Committee to explain why these audit recommendations had not been implemented?
- Response: This would be helpful for those recommendations still outstanding from 2016, together with a written report on those that were over a year old.

RESOLVED that:

1. A report on current maintenance budgets/investments be presented to Audit Committee members in due course.

2. Information regarding the process in relation to the audit of the Values and Culture Review be provided to the next meeting of Audit Committee.

3. The following actions be actioned by officers at the next scheduled meeting of Audit Committee on 18 December 2018:

    - Responsible officers to attend in person to explain reasons for those audit recommendations still outstanding since 2016, referenced as Items 1-8 at Appendix 5 of the report.
    - A written report be provided by officers as to the reasons for those Audit recommendations still outstanding since 2017, referenced as Items 9-24 at Appendix 5 of the report, (future reports to be referred to committee for outstanding recommendations exceeding a 12 month period.)

4. The contents of the report and continuation of further monitoring arrangements be noted.

30. <u>**Audit Committee Work Programme**</u>

John Scott, Audit Manager:

a. presented the Audit Committee with its 2018/19 work programme

b. invited members' questions and comments.

RESOLVED that the 2018/19 work programme be noted.

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AUDIT COMMITTEE   **11 DECEMBER 2018**

SUBJECT:	**ANNUAL GOVERNANCE STATEMENT MONITORING**
REPORT BY:	**CHIEF EXECUTIVE AND TOWN CLERK**
LEAD OFFICER:	**BUSINESS MANAGER, CORPORATE POLICY**

1.   Purpose of Report

1.1   To present a progress update on the area identified as a 'significant governance issue' as set out in the 2017/18 Annual Governance Statement (AGS).

2.   Executive Summary

2.1   The Audit Committee has a role to review the Council's governance arrangements including the production of the Annual Governance Statement.

This report provides details of the monitoring arrangements for the significant internal control issue raised in the latest AGS.

In addition the report highlights and reports on five areas that whilst not considered significant issues, have been designated as 'Areas of interest' – that is areas that have been subject to change or would benefit from having a governance overview.

3.   Background

3.1   **Monitoring of the 2017/18 AGS Issue**

The updates on the significant issue identified within the 2017/18 AGS are included within **Appendix A**

This is monitored by the Service Manager's Group and overseen by Corporate Leadership Team as well as monitored at the Audit Committee.

4.   Summary of Findings

There is now just one significant issues remaining – which is now considered, by the responsible officer to be amber.

- Information Management - Excellent progress was made in delivering the initial Information Management training programme and in preparing for the General Data Protection Regulations in May 2018. The Data Protection Impact Assessment procedure was rolled out to staff, privacy statements have been completed and Information Asset Owner (IAO) training completed. IAO checklists have been reviewed and updated versions are now being received. Member training was offered in October and there is a follow up session in January.
  The main outstanding actions now are in regards to whether our contractors

are all applying GDPR to the same standards as we are.

There are five other areas that the AGS made a recommendation to retain a focus on. All of these currently remain at green status:

- Partnership Companies - There is a single proposal at this point for the Housing Company, which was approved by Executive in December 2017, but is currently on hold until the new Director of Housing & Investment has had time to make a decision on whether to take forward or not

- Compliance to the Lincoln Project Management Model was monitored through the transition period from the SPIT group to the new Capital Programme Group, Project Sponsors and the Vision Groups

- Western Growth Corridor – as the biggest project the council has ever undertaken, we need to ensure that governance is effective and efficient. Processes are in place to ensure this is so – for example Sub Groups of the Programme Board for Financial viability and for Legal aspects

- Use of professional advice – A new committee report template is in place to improve the collation of key data and as above Legal and Finance representatives are to sit on all key Project/Programme Boards

- Some Housing Responsible Officer duties were not completely rolled out and a plan has been developed to complete this work. A bespoke HRA handbook has been drafted and training plans are progressing.

5. Strategic Priorities

This report does not focus specifically on any of the four Vision 2020 priorities, but does contribute significantly towards the High Performing Services aspect which underpins these aspirations.

6. Organisational Impacts

6.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

6.2 Legal Implications including Procurement Rules

There are no direct legal implications

6.3 Equality, Diversity & Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination

- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

There are no direct E and D implications arising as a result of this report.

7. Risk Implications

7.1 (i)   Options Explored - n/a

(ii)   Key risks associated with the preferred approach n/a

8. Recommendation

8.1 The Audit Committee is asked to note the report and consider whether any of the following options are relevant :-

- Report and make recommendations to the Executive if appropriate.
- Refer any matter under review they feel appropriate to the relevant Portfolio Holder, Scrutiny Chair or Committee.
- Seek responses from Officers on matters arising, to be submitted to the next Audit Committee on any of the issues raised within this report.
- Accept the report and continue to monitor arrangements.

Key Decision	No
Do the Exempt Information Categories Apply?	No
Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
How many appendices does the report contain?	One
List of Background Papers:	None

Lead Officer: Pat Jukes, Business Manager, Corporate Policy
Ext 3657

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Quarterly Summary of Progress with AGS Risk Action
to Audit Committee 11th December 2018

Significant current issues from 2017/18 to focus on in 2018/19.

The risk actions below were identified in the 2017/18 AGS review. Progress will continue to be made in 2018/19, monitored and driven forward by the Service Managers Group and reported to Audit Committee quarterly.

Please note that as part of the last AGS it was determined that:
- Information Management and IT disaster recovery: significant progress has been made and the decision was taken that this is no longer significant
- Three new areas to 'watch' identified – WGC governance arrangements; use of professional advice and Housing Responsible Officer duties

	What actions will be taken over the coming months	**What progress have we made against each action**	**RAG Status**
Information Management: **Legal and Democratic Services Manager**	*2017/18 AGS narrative: During 2017/18 significant progress has been made towards achieving the aim of being fully compliant with General Data Protection Regulation (GDPR) by the implementation date in May 2018. However there remain a number of areas still in progression and due to the seriousness of non-compliance, until these are completed, this area will remain a significant issue* **AMBER to GREEN:** • Ongoing Information Governance Plan and Strategy to be devised and approved in working group. • Privacy Impact Assessment procedure currently being improved upon following consultation with users. • Continuation of review of Personal Data beyond retention for deletion particularly in systems. • Continuation of expanding upon our Corporate Asset Register and Records of Processing.	Data Protection Officer recruited and appointed March 18. The Information Governance Team devised and implemented a GDPR Action Plan and Working Group prior to GDPR coming into force 25 May 18. Some actions are ongoing including Contracts and partnerships review to include GDPR clauses. Original Data Protection Impact Assessment procedure rolled out to staff prior to May 18. Council customer privacy policy consulted on with staff and published on website May 18. Access to personal information requests procedures updated to reflect new rights for Data Subjects. GDPR Policy drafted, approved and rolled out for all staff to acknowledge through net-consent system May 18. All Information Management Polices reviewed, updated and approved May 18. E-learning for Data Protection up to 90% completion rate for all	**A**

	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
	• Finalisation of contracts and partnerships review for GDPR clauses and information sharing arrangements. • Any additional work to ensure ongoing compliance with the Data Protection Act 2018 and GDPR	staff as at June 2018 and rising. Information Asset Owner training has been completed and IAO annual checklists rolled out. First checklists returned by IAO's Sept 2018. GDPR guidance provided to all Members May 2018 and full training for new members. Member training took place on 11.10.18 and all members received copies of the training and guidance. A follow up session for members unable to attend the face to face training is being offered again in Jan 2019.	

Other areas of interest - to retain a focus on during 2018/19 but not classed as 'significant issues';			
	Areas of interest	Latest update	
Partnership companies	*The council has little experience of the process of setting up a new partnership company (solely owned or a joint venture) and care needs to be taken to select the right governance framework arrangements, ensuring appropriate formal legalities and financial aspects are in place.* At this point the only proposed new Company is the Housing Company. This has been put on hold until the appointment of a new Housing Director, who will decide on the need. At this point there are no other new ventures in the immediate frame, but the TFS Board has received a general report from the Finance consultant which contained views on when it is appropriate to consider using a partnership company and what safeguards to consider	The proposed Housing Company - the latest position is that: 1) Lincoln Quality Homes was originally planned to be set up during 2018 (this was delayed due to the retirement of the Housing Director in March 2018). 2) The new Strategic Director of Housing & Investment has been appointed and once full hand over has been completed will plan in the review of whether or not this is to be carried forward.	G
Loss of compliance to Lincoln Project Management	*Project management monitoring arrangements are currently under review. Any changes will need to include a mechanism to ensure ongoing compliance with the Lincoln Project Management Model* A report on the options for the future of the Strategic Plan	A full review of the Lincoln Project Management Model has been completed and now incorporates agreed changes to move from the old SPIT team to a new Capital Programme Group (CPG), which will monitor all capital projects in detail – along with additional responsibilities to be undertaken by all Programme Boards and Project Sponsors.	G

Other areas of interest - to retain a focus on during 2018/19 but not classed as 'significant issues';			
	Areas of interest	**Latest update**	
Model	Implementation Team (SPIT) was reviewed by CMT and CLT in September 2017. This involved ensuring that the financial monitoring and the operational aspects of project management were both considered for all defined projects. SPIT sat for the last time in March 2017 and a final Q4 outturn report was produced for Performance Scrutiny and Exec. The new Capital Programme Team has been instigated and sits on a regular basis since April 2018	The new processes were communicated widely in June with a new training programme developed for all Project Sponsors, Project Managers and other relevant staff, rolled out through August and September. A new Project Register has been developed which holds the key initiation details of all Strategic and Capital projects as well as the main service projects. This is reviewed at DMT's and Vision Boards. A PIR on the LPMM will be conducted in 2019 once the processes have bedded in.	
Western Growth Corridor	*Western Growth Corridor - to ensure that effective governance is maintained as the project develops further* This is the biggest project ever undertaken by the City of Lincoln Council, so the governance around all aspects of the delivery needs to be tight and effective. Risk will be considered from every angle. The Lincoln Project Management Model covers all sizes of projects and includes special advice for Mega projects.	The WGC Programme Board is in place – which now includes all of CMT, thus meeting the new LPMM recommendations. There are Sub Groups of the Programme Board for Financial viability and for Legal aspects, and others will be created as and when necessary A full internal project plan is in use, as well as an external design team project plan Regularly updated risk registers developed which is tabled at Programme Board at significant milestones	**G**
Use of professional advice	*Continually ensure that appropriate and timely professional advice is sought on key projects, policies and decisions* It is particularly important that when reports are taken to Members for decisions, they have full information on all relevant aspects.	A new Committee Report Template has been developed and communicated from Democratic Services to remove some duplication and to clarify the expectations of report writers Reports will not be accepted that have not allowed an appropriate period for consultation by the key areas – especially	**G**

Other areas of interest - to retain a focus on during 2018/19 but not classed as 'significant issues';		
	Areas of interest	**Latest update**	
	To enable this to be completely up to date consultation is carried out with key departments as part of the report preparation. This consultation must allow sufficient time for individuals to assimilate the possible effects/costs etc. and respond If an Equality analyses is not deemed necessary, an equality statement should be made on all decision reports in the appropriate section	Finance and Legal. Legal and Finance representatives are to sit on all key Project/Programme Boards	
Responsible Officers	*Ensure that the remaining Responsible Officer duties within the Housing services are fully rolled out during 2018/19* The Tree of responsibility identifies all Responsible Officers responsible for the day to day management and safety of designated property or land within the HRA. The HRA are in the process of replicating work undertaken across all other assets assisted by CH&S The aim is to complete the main stages – up to Job description changes by **December 2018**. However it should be noted that all activities are still being carried out currently.	CMT have requested (October) that a short-life working group is established consisting of 2x AD's, 2 x CH&S and Property Manager. CHS have consulted with all stakeholders and draft list of HRA RO's/ROSS's has been agreed. An action plan is in place to identify all appropriate assets and land. CHS still requires input from other areas to identify a definitive list of operational land. A draft DHR manual is now completed with just minor additions now required. A gap analysis of training will be conducted by CH&S and subsequently training will be facilitated by HRA team. A meeting has been arranged - CHS & DHR Training Coordinator to identify training needs 19/11/18. Job descriptions to be amended to include formal responsibilities. Further JD's requested from HR. Housing Business Services team to insert standard paragraphs into all relevant JD's.	**G**

AUDIT COMMITTEE **11 DECEMBER 2018**

SUBJECT:	**INFORMATION MANAGEMENT UPDATE**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**SALLY BROOKS, DATA PROTECTION OFFICER**

1. **Purpose of Report**

1.1 To update Audit Committee on the progress of Information Management and the continued implementation of the EU General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

2. **Background and Progress**

2.1 The GDPR Action Plan has been amended to the Information Governance IG/GDPR Ongoing Action Plan attached as Appendix A

2.2 The GDPR Group are prioritising ongoing compliance including building on and improving completed actions however there is a lot of work to be done, particularly in the following areas:-

    (a) Training

        Action:

        Ongoing Data Protection training (Article 5 GDPR- security, Article 32- testing effectiveness of measures for security) and ensure renewed annually or at least every 2 years with non-completion being followed up. Include member training. Implement ongoing training needs plan.

        Although progress in this area has been significant (completion at 90.05% for all staff) it is essential that the DP training is renewed as required by all staff/members and automated as far as possible. All new staff receive the training on induction.

        Training for new members was delivered May 18 and all Member training October 18. A follow up session for non-attendees is currently being offered to members.

        City of Lincoln Council (CLC) have purchased data protection and cyber security videos recommended by Central Government. It has been agreed by Assistant Director (AD) Group that ongoing Data Protection (DP) training will be renewed, updated and delivered to all staff by the videos along with questions to test understanding through policy management software net-consent. The plan is to roll this out in the new year and testing to be carried out on small groups of staff from December 18.

(b) Data Protection Impact Assessments (DPIA)

Action:

DPIA's- Article 35 of GDPR Introduces a formal Policy to require a DPIA. Conduct a DPIA for new systems that involve the processing of personal data, or significant changes to existing systems. Such DPIA's should be signed off at an appropriate level and implemented into project planning at the earliest stage.

These have been rolled out to various teams to be completed in respect of assessing how we process personal data before a project/piece of work, for example.

Under GDPR these assessments are now mandatory in particular circumstances including retrospectively for core systems processing large amounts of sensitive data. This has also been assisted by an Applications Review of existing systems being undertaken by Audit with relevant actions being followed up by IT and the Data Protection Officer. In relation to new systems we have a DPIA process including, Screening questions, Guidance and Template but take up needs to continue to be promoted and improved. The DPIA process has now been added to the Lincoln Project Management Model. Assessments have also been undertaken as required in relation to new projects involving the sharing between partners of sensitive special category data.

(c) Policies, Guidance and Procedures

Action:

Draft GDPR policies to be implemented and agreed before May 2018 to replace Data Protection Policy and Summary sheet. Obtain approval and issue to staff.

Significant progress has been made in this area. A DPA/GDPR Policy was drafted and approved by Committee then rolled out to all staff to individually acknowledge through netconsent.

All Information Management (IM) Policies have now been updated and approved in light of GDPR and are shortly to be rolled out to all staff through netconsent. It is proposed that Staff simply acknowledge that they are aware the Policies have been updated and where to find them as oppose to individual sign up to each Policy.

(d) Contract Review for GDPR Clauses

Action:

Contracts with Processors Article 28 identify contracts for review and ensure these and new contracts are GDPR proof. Joined up approach with Legal and Procurement

Each contract for CLC which includes personal data needs to be reviewed and amended to include the Crown Commercial Service (CCS) approved GDPR clauses. This project has proven to be resource intensive. This stems from the complexity of the contract variations received from Suppliers which generally do not follow the CCS clauses with Suppliers having instructed legal advisers to draft clauses in their favour in relation to liability, for example and some Suppliers refusing to accept they are processing personal data on our behalf. In relation to CLC contacting Suppliers to vary contracts a project is ongoing where IAO's have declared the contracts and partnerships they have in their areas. These contracts are being prioritised in relation to sensitivity of the data and Suppliers contacted to vary the contracts.

(e) Record of Processing Activities (ROPA)

Action:

ROPA- Article 30 to be prepared based on the asset register to include data sharing details and legal basis for processing. ROPA database to be designed and implemented.

CLC has an asset register complied by the DPO after extensive work with Information Asset Owners (IAO's). This needs to be kept up to date by IAO's. The register does include a description of information being shared although this may need to be expanded upon in some areas. There is also software now available from the LGA which could approve these records including the ability for IAO's to access and update these records. More resources are likely to be required from BDIT to develop this.

(f) Individual Rights/Retention

Action:-

Access, rectification, right to be forgotten, data portability- Articles 15-20. Document the review and weeding process for software systems storing personal data. This task should have an assigned owner and be monitored. Develop plan for 'weeding' of data as part of Retention and Disposal work.

Guidance and procedures have been successfully implemented to ensure individuals are able to exercise their rights.

The BDIT Manager continues to work on this area in relation to electronic file storage and IT systems however solutions are complex, and options potentially expensive and resource intensive. IAO's are to encourage their teams to review the information they hold in systems, drives and mailboxes and delete any unnecessary information beyond its retention period. IAO's can contact the BDIT Manager for further assistance with this area. BDIT are now piloting a process which aims to help services with this exercise.

Retention and disposals schedules were produced based on the LGA's guidance and rolled out to all staff on the Council's intranet and website.

Implementation is part of IAO's responsibility and compliance by IAO's is self-certified in the annual IAO Checklist.

Systems are complaint with the individual's new rights but in some cases only manually and CLC will need to assess based on the impact on resources of rights requests whether enhanced automation tools need to be purchased going forward.

2.3 The above actions are the ones which the IG/GDPR group would highlight as being the more complex ongoing actions where extensive resources are needed, particularly for the DPO and also time from all other staff involved to ensure we can achieve compliance. The GPDR group will consider if any realignment of resources may be necessary and monitor and report progress. However, it may be that additional resources may be required in order expedite some of the more time consuming issues

3. Senior Information Risk Officer (SIRO)

3.1 This role was previously held by the Legal & Democratic Services Manager but given IG sits under the BDIT Manager it makes sense in future for this role to be connected with IG and BDIT. Central Government recommends the SIRO is a board member and the Director of Housing and Investment (previous AD for Strategic Development) has confirmed they would be willing to take on this role for the time being. The SIRO is a champion for good information governance practices, who works closely with the DPO and IT where required in respect of IG/Cyber Security and oversees signing off risk in DPIA's related to this and new technologies where required.

4. AGS

4.1 The AGS status for the Information Governance section is now amber, and all the ongoing work being undertaken for the implementation of the GDPR will be reviewed again in due course to see whether the Council might improve this status.

5. Vision 2020

5.1 GDPR implementation was one of the Vision 2020 projects to be delivered in year 2018/19. The Working Group was meeting monthly prior to GDPR coming into force in May 2018 to ensure we remained on track with the Action Plan. The Group now meet on a quarterly basis.

6. Strategic Priorities

6.1 High Performing Services

This work ensures that staff are high performing in their collection and processing of individual's data. It also assists to ensure that the Council is trusted to deliver the services, and ensures compliance.

7.   Organisational Impacts

7.1   Finance (including whole life costs where applicable)

    Nothing relevant to this report.

7.2   Legal

    As outlined within the report.

7.3   Equality & Diversity and Human Rights

    There is no impact arising from this report in this area.

8.   Risk Implications

8.1   CLC must comply with the GDPR and DPA data protection legislation. Non-compliance may result in monetary fines, compensation claims and a loss of public and partner trust.

9.   Recommendation

9.1   To note the report and attached action plan and to specifically provide comments on the following:-

- The renewal and the follow up of data protection training
- Monitoring and delivery of ongoing actions and resources
- The new appointment of SIRO
- The AGS status of amber

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	1
List of Background Papers:	None
Lead Officer:	Sally Brooks, Data Protection Officer Telephone (01522) 873765

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	Appendix B								
	Infringement attracts higher level fine 20,000.00 EUR.								
	Infringement attracts lower level fine 10,000.00 EUR								
			At June 18	At Sept 2018	At Dec 2018				
Ref	Action	Agreed action				Target Date	Next Review	Actions outstanding and resources required	Responsible Officer
	Issues under ICO's 12 Steps to take now								
	1. Awareness								
1.1 RED	Training	Ongoing Data Protection training (Article 5 GDPR- security, Article 32-testing effectiveness of measures for security) and ensure renewed annually or at least every 2 years with non completion being followed up. Include member training. Implement ongoing training needs plan.	As at the 19 June 18 90.5% overall completion – 64 not completed 91.9% higher risk – 50 not completed 77.8% low risk – 14 not completed	Stats 90.05% as at June 18 and rising. Teams, IAO's and new members trained. Purchased data protection videos for use.	Member training delivered 11th October 2018 follow up session for non-attendees being offered. AD's agreed to ongoing DP training being updated delivered by Dojo videos and questions to all staff through net-consent.	Ongoing-training to be renewed every 2 years for staff.	Jan-19	Need update on current figures and decide how to monitor delivery of renewal every 2 years. BDITM to provide up date on stats. Training vids	DPO/LDSM/B DITM
1.2 AMBER	Comms	Re-brand Data Protection (Article 32) Comms to use 'customer privacy' 'data privacy '. Re brand GDPR as Let's Get Data Privacy Ready. Re brand message GDPR Carrys On. Continue to raise awareness with GDPR and DP Comms Plan.	Comms continues to be issued as and when required.	ICO have issued bespoke Comms package for organisations 'Your data matters' to be utilised on ICO website. Also Dojo data protection vids now available. DPO informed service managers at forum in Sept 18. New Comms Plan drafted. New poster this month- for customers on screen downstairs. Poster for staff on stairwells.	Comms issued image on customer facing computer screens and article in Our Lincoln magazine with link to your data privacy customer privacy notice in accordance with ongoing Comms Plan.	Ongoing plan forms part of Vision 2020.	Jan-19	Ongoing Comms plan for Oct 18-March 19 drafted by Comms needs implementing and monitoring.	COMMS/DPO
1.3 RED	Policies, Guidance and procedures	GDPR Article 5-security and Article 32-testing. GPDR Handbook for IAO's and annual Checklists. GDPR/DP policy implemented and Information management polices to be updated	Reviewed and amended IM Policies due to go to Audit 19/07/18 and Exec 21/07/18 for approval. Will be reissued with Comms to staff and uploaded into netconsent.	IM policies updated for GDPR and approved by Committee.	Updated IM polices have been uploaded into net-consent to be delivered with acknowledgement that staff are aware have been updated and are in net-consent. Separate acknowledgement of GDPR Policy already obtained.	Jan-19	Jan-19	Comms to go out. Staff to acknowledge receipt through netconsent - aware updated and where available not individual sign up to each policy.	IAO's /DPO
1.4 GREEN	Regular item at team meetings	Consider incorporating data privacy as a regular agenda item at team meetings. Agree level for Data Protection issues to be discussed e.g. DMT/SMTs		Checklists issued to IAO's July 18 to be returned by 28 Sept 18. Responses will then need to be reviewed and any follow up actions taken.	Checklists returned by IAO's Sep 18. Follow up meetings with non-completers and attendance at DMT's/SMT's where requested.	Ongoing	Jan-19	Assess response to checklists and follow up actions	IAO's/DPO
	2. Information the council holds								
2.1 AMBER	Information asset audit	IMPs system to be fully populated and reports into Performance DMT	Long term audit recs such as retention implementation in systems being chased through managers' AD's and CLT.	Need to clear up audit recs as majority dealt with or moved into applications review as system actions. All areas need to focus on long term actions relating to deleting and destroying data beyond retention.	Need to clear up audit recs as majority dealt with or moved into applications review as system actions. All areas need to focus on long term actions relating to deleting and destroying data beyond retention.	Audit completed long term actions ongoing	Jan-19	Delete or follow up outstanding actions on IMPS link with Applications Audit.	DPO/LDSM/B DITM
2.2 AMBER	Information asset register/ records of processing (ROPA)	Article 30 Records of processing Information assets registers should be updated, reviewed and risk assessed on a periodic basis by IAO's	Need to build on existing asset register. Will be issuing IAO checklist in July 18 and annually thereafter including maintaining asset register and assessing risks to assets.	See June 18	IAO's have confirmed assessment of assets and updating of their asset regsiter in checklists.	Reviewed by IAO's every 6 months and as and when required.	Jan-19	Need to build on existing records to improve and consider use of software now provided by LGA	IAO/BDIT/DP O
2.3 RED	Retention and disposal schedules	Ensure future adherence to retention and disposal schedules. This includes emails and systems. Retention schedules updated and available on council's intranet.		Provided to staff and customers via website.		Implementation reviewed by IAO's every 6 months and as and when required		Complete save for monitoring	IAO's/DPO

Ref	Action	Agreed action				Target Date	Next Review	Actions outstanding and resources required	Responsible Officer
2.4 AMBER	Information sharing- with our data processors-(Contracts)	Contracts with Processors Article 28 identify contracts for review and ensure these and new contracts are GDPR proof. Joined up approach with Legal and Procurement	AD's chasing small number of IAO's yet to complete. AD's signed off process and DPO and Legal have started to amend on risk basis and processors who have contacted us.	Ongoing.LDSM and DPO dealing with Suppliers who have contacted CLC. Only handful of IAO's not completed contracts register. Need to progress	Ongoing.LDSM and DPO dealing with Suppliers who have contacted CLC. Only handful of IAO's not completed contracts register. Need to progress	Mar-19	Jan-19	ID contracts where personal data, prioritise according to sensitivity and non framework to then contact suppliers	DPO/LDSM/PO and IAO's
2.5 AMBER	Information sharing- with other data controllers who are not processing on our behalf (ISA's)	Information Sharing Agreements should be reviewed and consolidated and a database held in Legal Services. All data shared with external bodies should be subject to an ISA		Need to ensure list comprehensive. Issue to staff. Upload on netconsent. ISA amnesty.	ISA template has updated for GDPR and is in use.	Completed but needs improving May 2019	Jan-19	Review dates in IAO checklists. Consider whether review dates can be monitored through Netconsent. Conintue to identify processss requiring a ISA and ISA that need updating	DPO/LDSM and IAO's
3	3. Communicating privacy information								
3.1 RED	Privacy notices (Right to be informed)	Information provided where personal data is collected- Article 13 GDPR. IAO's must identify and review Privacy Notices in their areas which require amendment to comply. Amendments to be made with assistance from DPO where required. Review Council's general privacy notice on website.		Council privacy notice to customers on website. The majority of service areas have produced service specific privacy notices	Council privacy notice to customers on website. The majority of service areas have produced service specific privacy notices	Ongoing/Adhoc	Jan-19	IAO's need to identify new processes requiring privacy notices and existing. This is covered in DPIA process too.	IAO's DPO
4	4. Individual's rights								
4.1 RED	Rights	Rectification, right to be forgotten, data portability- Articles 16-20. Document the review and weeding process for software systems storing personal data. This task should have an assigned owner and be monitored. Develop plan for 'weeding' of data as part of R&D work.	Ongoing discussions with system providers.	Systems are capable of enforcing data subjects new rights. Although in some only manually. Will need to monitor whether automated add ons are required depending on volume of requests.		Ongoing	Jan-19	Ongoing BDIT. All areas need to prioritise deleting and destroying data beyond retention including in systems.	BDITM/IAO's/DPO
5	5. Subject access requests (SAR)								
5.1 RED	Rights requests	Rights of access by the data subject- Article 15. Ensure we can comply with the additional rights of data subjects created by GDPR including the right to have their personal data deleted. Draft GDPR policy to replace the Data Protection Policy to include access to information request changes effective from May 18.		New personal data requests process implemented prior to May 18 and working well	Requests are being complied with rountinely under the GDPR processes	Ongoing	Jan-19	Completed but ongoing.	DPO/LDSM
6	6. Legal basis for processing personal data								
6.1 AMBER	Legal bases	Record of Processing Activities (ROPA)- Article 30 to be prepared based on the asset register to include data sharing details and legal basis for processing. ROPA database to be designed and implemented	Detailed in privacy notices and in asset register	As at June 18	As at Sept 18.	Ongoing	Jan-19	Database/ software to be considered or/and information to be added to asset register.	BDITM/DPO
7	7. Consent								
7.1 RED	Consent	Ensuring whether we have valid Consent (Articles 7-8) from customer's where required by reviewing how we seek, obtain and record consent and whether we need to make any changes to comply with GDPR.				Ongoing/Adhoc	Jan-19	IAO's review through checklist.	IAO's/DPO
8	8. Children								
8.1 RED	Obtaining personal data directly from children	Identify any areas where we be may obtaining personal details and relying on consent from children under 16 years due to changes. DPA has reduced this to 13 years. Article 8				Completed but ongoing		Complete - ongoing monitoring	IAO's/DPO
9	9. Data breaches								

Ref	Action	Agreed action				Target Date	Next Review	Actions outstanding and resources required	Responsible Officer
9.1 AMBER	**Data breaches**	Ensure DP Breach Management (Articles 33-34) policy up to date and internal breach reporting system compliant with GDPR timescales for reporting. Monitor through IG Group and officers for lessons learnt and trends.			Data breach policy and internal reporting system in place. Stats reported to CMT through IG Group quarterly	Completed but ongoing			DPO/LDSM/BDITM
10	**10. Data protection by design and data protection impact assessments (DPIA's)**								
10.1 AMBER	**Data protection impact assessments**	Data protection Privacy Impact Assessments- Article 35 of GDPR Introduces a formal Policy to require a DPIA. Conduct a DPIA for new systems that involve the processing of personal data, or significant changes to existing systems. Such DPIA's should be signed off at an appropriate level and implemented into project planning at the earliest stage.		Improvements being made to guidance and templates in consultations with users. To be reissued to staff and made available on city people.		Ongoing/Adhoc	Jan-19	Ongoing resources needed from DPO to assist with DPIA's	LDSM/BDITM/DPO Project Managers
10.2 AMBER	**Build privacy by design (DPIA's) into project planning**	Review of Lincoln Project Model and Project Management		Improvements need to be made to imbedding in LPMM as staff have noted could be clearer need to complete DPIA.		Completed but ongoing	Jan-19	DPO to roll out amended DPIA process and LPMM to be amended to make need to complete clearer.	DPO/Policy
10.3 RED	**Security of processes**	Security of Processing- Article 32 and Article 5-security. Implement technical and organisational measures to ensure a level of security appropriate to the risk. Consider pseudonymisation capabilities where encryption not available. Ability to restore access to data in event of an incident and regular testing of effectiveness of measures.		Included in current review of applications with relavnt follow upactions being sent to IAO's and IT		Ongoing/Adhoc	Jan-19	Ongoing BDIT	BDITM
10.4 RED	**Access to applications**	Access requests for new starters should be made by appointed staff members with the appropriate authority. Network access should be suspended when staff are absent from work for an extended period, for example; due to maternity leave. Any failure by HR to notify IT of staff leavers or long-term absence should be treated as a security incident and reported to the IGO. Access to systems and drives should be reviewed regularly and at least every 6 months.		Included in current review of applications with relevant follow up actions being sent to IAO's and IT		Ongoing/Adhoc	Jan-19	Relevant System's team BDIT and IAO's	IAO's/AuditM/BDITM/DPO
10.5 AMBER	**Testing of security measures**	Testing effectiveness of security measures- Article 32. Prepare a Checklist for IAO's to complete following training in January 17 to ensure . Devise annual self assessment checklist for IAO's. Internal audit of IG				Audit planned 18/19. Checklist issued to IAO's annually	Jan-19	Internal Audit. BDIT	IAO/BDITM AuditM
10.6 AMBER	**Physical security and clear desk policy**	Testing of security-IAO's to be reminded to carry out periodic spot checks of business areas adherence to the clear desk policy including the locking away of sensitive personal data and use of confidential waste bins. Also minimising the amount of personal data taken offsite.				Ongoing/Adhoc		Complete-ongoing with monitoring	IAO's
11	**11. Data protection officer's (DPO's)**								
11.1 AMBER	**Data Protection officer**	Designating a data protection officer- Article 37-39 and assess where this role will sit within our organisation's structure and governance arrangements. Prepare report for CMT approval and appoint to role before May 18. Determine position in governance structure and ensure DPO has appropriate expertise.				Completed but ongoing		Complete	DPO
12	**12. International**								

Ref	Action	Agreed action				Target Date	Next Review	Actions outstanding and resources required	Responsible Officer
12.1 RED	**International transfers**	Identify any areas where personal data is being transferred to a third country (outside EU and EEA) and if taking place ensure necessary safeguards are in place.				Completed but ongoing	Jan-19	Consideration to due diligence IT questions to be raised when procuring products	BDITM

AUDIT COMMITTEE   **11 DECEMBER 2018**

SUBJECT:	**INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP**
REPORT BY:	**AUDIT MANAGER**
LEAD OFFICER:	**AUDIT MANAGER**

1.   **Purpose of Report**

1.1   To present an update to the Audit Committee, on all overdue recommendations over 12 months old.

2.   Executive Summary

2.1   The report provides members with more information on older audit recommendations and the ability at the meeting to request managers to provide further feedback.

3.   Background

3.1   Audit recommendations are reviewed by Audit Committee with each progress report and members were concerned with the length of time some agreed actions were taking to implement. It was agreed that a separate report of recommendations older than 12 months would be provided and managers would attend for the very oldest reports.

3.2   Audit Recommendations

3.3   The attached Appendix (A) provides details of the relevant audits, outstanding recommendations/agreed actions and detailed current position/explanation from the service manager.

Depending on the response received Members may wish to receive further updates in future.

4.   Organisational Impacts (nb. Finance, Legal and E & D sections below are mandatory, others to be completed only where there is an impact)

4.1   Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

4.2   Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3   Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

There are no direct E and D implications arising as a result of this report.

5.   Recommendation

5.1   Audit Committee is asked to review the attached Appendix and review responses received both in writing and at the meeting.

Key Decision   No

Do the Exempt   No
Information Categories
Apply?

Call in and Urgency: Is the   No
decision one to which Rule
15 of the Scrutiny
Procedure Rules apply?

How many appendices   One
does the report contain?

List of Background
Papers:

Lead Officer: Audit Manager Telephone 873321

Outstanding Recommendations

At the previous meeting Members requested written explanations for all audit recommendations outstanding for more than one year plus responsible officers to attend for recommendations outstanding for more than two years.

Service Managers have provided explanations which are set out in the tables below.

Assistant Directors will be attending regarding those that are over two years old.

Recommendations over 2 years old

Ref	Dir	Assist Dir	Audit	Revised Due Date	Agreed Action & Priority	Status	Service Manager comments
1	DHR	AD-HIS	Fleet Management	28/02/2019	Update the Driver Code of Practice (Medium)	Agreed unions and management - but to extend Corporately	The Telematics was approved by Committee in October 18, as the two documents are voted on and sit together, we are at the stage of collating the quotes for the telematics and once approved both documents will be introduced. This could be February 2018 to implement both Telematics and the Driver Code. Both documents will now apply to all authority owned vehicles, not just HRS.
2	CX	CFO	Accountancy	31/03/2019	Update Budget Holder manual (Medium)	Downgraded to an Advisory point & won't be tracked any further.	The refresh of the budget holder manual, together with a programme of training to budget holders, was planned for 2017 to tie in with the impending restructure of Financial Services. Unfortunately 2017 was to be an unprecedented year, with key staff leaving, together with long term sickness and therefore time was dedicated to key priority works only. With the restructure in progress the intention was to refresh the budget holder manual in advance of the new financial year. However, a similar situation has arisen again, with 2 key staff leaving. Financial procedure rules set out all of the requirements for budget holders. A budget holder manual summaries all of the key need to know bits. It's still a valid thing to produce and reflects best practice but it is low on priorities. (Chief Finance Officer / Financial Services Manager)

4	DoH	AD-SD	ICT Mobile Devices	31/03/2019	Identify and locate IT assets (High)	In progress	An asset register is held in IT. This exercise has been completed previously, but IT are now considering options to detect most devices in an automated manner. This is linked to a wider rollout of technology and will be updated once that has been completed. Finance are also to complete a full inventory - which will help for comparison purposes. It is very difficult to track every asset as some are mobile devices which move frequently and are not always connected to the network, so rely on visible checks over a period.
5	CX	CFO	ICT Mobile Devices	31/03/2019	Complete the (Corporate) annual inventory check (Medium)	In progress	Finance are in the process of facilitating an inventory check, with Directorates; This will help IT asset audit for comparison purposes.
7	CX	AD-SD	ICT Malware	31/03/2019	IT security summary training (Medium)	In progress	Delayed due to getting Netconsent operational and producing the material. NC is now operational and have bought materials but need to test to determine if there are any technical issues. This is being tested and trialled currently. New target date 31 March 2019

Recommendations over 1 year old

Ref	Dir	Assist Dir	Audit	Revised Due Date	Agreed Action & Priority	Status	Service Manager comments
9	CX	CFO	Information Governance Revenues and Benefits	31/12/2018	Finalise NKDC + ColC ICT SLA (High)	In progress.	An updated draft SLA between Revenues and Benefits and ICT is currently in circulation to interested parties – this will be completed by the target date of 31st December.
11	CX	CFO	Recovery	31/01/2019	Fair Collection & Debt Recovery Policy monitoring (Medium)	In progress.	The Fair Collection policy is currently being reviewed. It has been delayed due to the delay in agreeing the SLA with the Council's collection agents due to GDPR changes. The data used to monitor the Policy is still relevant. Revised target date for new Policy required (Revenues & Benefits Manager)
19	DCE	AD-CSS	Restoration of Boultham Park	31/03/2019	Partnership Agreement to be signed (Medium)	In progress. 6mth extension agreed.	We made good progress on agreeing the terms of the revised Partnership Agreement with Linkage. There are just a few details to finalise which neither party envisages causing any problems. The delay has been purely down to the lack of staff resource to deal with this within the service. The Boultham Park project has been without a dedicated Project Manager for almost a year now, and this task is one of many that are having to be covered by the Community Services Manager as Caretaker Project Manager, alongside 'business as usual'. We are aware of the need to sign off the revised agreement and doing our best to prioritise this by the end of the year, and certainly by the formal closedown date of the delivery phase of the Boultham Park Restoration project (late February). In the meantime, we have a Partnership Agreement which fulfils the needs for the project at the current stage. (Community Services Manager)

25	CX	CFO	IT Disaster Recovery	31/12/2018	Seating allocation at Hamilton House (Medium)	In progress	Seating arrangements and draft accommodation designs now complete and presented to Service Managers – now needs incorporating into Alternative Accommodation Strategy and presenting to CMT
26	CX	AD-H	IT Disaster Recovery	31/12/2018	Accommodation for contractors. (Medium)	In progress	Verbal confirmation that Kier & Aaron would be asked to vacate HH, however we need this in writing and cross referenced to the contracts.
27	CX	AD-SD	IT Disaster Recovery	31/12/2018	LAN connections Hamilton House. (Medium)	In progress	As draft accommodation plans are in place, suppliers have been contacted to determine options for connectivity in the event on invocation.
28	CX	CFO	IT Disaster Recovery	31/12/2018	Property to review power, water, drainage (Medium)	In progress	Complete – alternative accommodation would be provided with generator and portable toilets so not additional facilities would be required.
29	CX	CFO	IT Disaster Recovery	31/12/2018	Limited Business Continuity Plans for all services (Medium)	In progress	Complete – Identified that Building Control need to produce a BCP. LCC attending service managers in December 18 to go through BIA's (business impact assessments) and identify any further critical services and to also highlight fact managers can still prepare at BCP (Business continuity plan) even if they aren't on the critical list.
30	CX	CFO	IT Disaster Recovery	31/12/2018	Address the lack of RPOs in BCPs. (Medium)	In progress	Will be addressed in refreshed BCP's for 2019.
31	CX	CFO	IT Disaster Recovery	31/12/2018	Next BCP desktop exercise to include the IT DR plan (Medium)	In progress	Has been delayed pending resolution of the accommodation strategy and completion of a number of the audit recommendations. However propose that this is undertaken Feb/Mar 19.

32	CX	AD-SD	IT Disaster Recovery	31/12/2018	Wider staff education and awareness (Medium)	In progress	Complete - A presentation has been made to service managers on the implication of the draft plans for accommodation etc with a further session scheduled for December 19 with Team Leaders to be invited as well. These will be considered as part of the refresh of Business Continuity plans.
33	CX	AD-SD	IT Disaster Recovery	30/06/2019	Produce a test plan. (Medium)	In progress	Testing already occurs for backup of data. Significant elements of the ICT infrastructure are due to be replaced, so any test plan will also change substantially. In addition any testing beyond a low level is likely to be extremely intrusive into the day-to-day running of the business for a sizeable amount of time, so is likely to be unfeasible.
34	CX	CFO	IT Disaster Recovery	31/03/2019	Review approach for assessing risks in BCPs (Medium)	In progress	A new scoring system will be in place to assess risks in 2019.
34.1	CX	CFO	IT Disaster Recovery	31/03/2019	Services to plan for loss up to 2 weeks (Medium)	In progress	Issue was highlighted to service managers at SMT session in November 18. This will then be included in the refresh of BCP's in 2019.
46	CX	AD-SD	IT Applications	31/12/2018	Obtain support and maintenance agreement Agresso (Medium)	In progress	Revised draft of SysOps (System administrator) guidance in progress. Will be circulated by end December.
47	CX	AD-SD	IT Applications	31/03/2019	Review current agreement arrangement My Info (Medium)	In progress	Revised agreement being reviewed. Need to ensure compliance with GDPR etc. Should be complete by end December

| 48 | CX | AD-SD | IT Applications | 31/12/2018 | Obtain support and maintenance agreement Forms (Medium) | Complete | New solution is being implemented with a revised agreement being sought from suppliers. Agreed. Should be complete (signed) by end December |

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AUDIT COMMITTEE **11 DECEMBER 2018**

SUBJECT:	**RISK MANAGEMENT**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**JACLYN GIBSON, CHIEF FINANCE OFFICER**

1. **Purpose of Report**

1.1 To provide Members with information regarding the reporting arrangements in relation to risk mitigation and recommendations.

2. **Background**

2.1 At the last meeting of Audit Committee on 27 September 2018 a report on the Annual Governance Statement Monitoring was presented. This report covered a number of areas that were not considered as significant issues but where a retained focus was required. One of these areas was in relation to 'loss of compliance to Lincoln Project Management Model'.

2.2 Following presentation of the report a number questions were raised by Members, these are set out below along with the officers responses;

- How were major projects tracked if not through a project register?

- Officer Response: Projects were monitored through the Vision Groups which act as Project Boards for each Priority.

- It was important that risks were reported through to the project register and from the project board through to Audit Committee.

- Officer Response: Mega projects had their own boards. Any risk issues were reported through to these boards and if serious enough - to Corporate Management Team (CMT). The Strategic Risk Register presented annually to Audit Committee would flag up any corporate issues and if any project risks were identified as strategic, would be included in this register.

- Projects with risks evolving more than once a year would not be picked up by Audit Committee in the annual Strategic Risk Register report.

- Response by Audit Manager: Audit Committee did have a role to play in the monitoring of strategic risk management. Should members require assurance on key risks to the authority it was possible to bring a report back to a future committee meeting.

2.3   It was therefore resolved that;

1. Information requested by members on reporting arrangements in relation to risk mitigation/recommendations be presented to the next meeting of Audit Committee.

2. The content of the report be noted and monitoring arrangements be continued.

3.   Risk Management Framework

3.1   The Council's Risk Management Strategy was last refreshed in 2018 and provides a framework and process that enables the Council to manage uncertainty in a systematic, effective, consistent and efficient way. This supports informed decision making thereby enabling opportunities to be exploited or action to be taken to mitigate or manage, to an acceptable level, the key risks facing services and the successful delivery of Vision 2020.

3.2   The Council's approach to risk management is proportionate to the decision being made or the impact of changes to service delivery/strategies. Risk management arrangements enable the Council to manage uncertainty in a systematic way at all levels of the Council's business, covering,

- Strategic – future direction of the business
- Change – turning strategy into action including programme, project and management of change
- Operational – day to day operations including people, customers, processes, information security, finance and business continuity.

3.3   A formal risk assessment, producing a risk register, is not required for everything the Council does. Risk Registers are only required for:

- Strategic Risks
- Significant Directorate Operational Risks
- Key projects and programmes determined by the Vision 2020 and Project Management guidance.
- New service strategies that have a greater impact on people, finance and the Council.
- Key partnerships and contracts.

3.4   In addition to the production of risk registers all key decisions presented to the Executive must clearly show the key risks associated with the decision, the potential impact and how these will be managed. This helps promote informed decision making, particularly in an environment of uncertainty and change.

3.5   In terms of the reporting arrangements for risk registers these are set out in the Risk Management Strategy as follows:

- Strategic Risks – reported to Corporate Management Team, Performance Scrutiny Committee and Executive on a quarterly basis.

- Significant Directorate Operational Risks – reported to Directorate Management Teams at a minimum on a quarterly basis.

- Key projects and programmes determined by the Vision 2020 and Project Management guidance – reported through the 5 Vision 2020 Groups, Directorate Management Teams and through the Executive if project requires specific Executive approval.

- New service strategies that have a greater impact on people, finance and the Council - reported through Directorate Management Teams and through the Executive if project requires specific Executive approval.

3.6 The roles and responsibilities of both Members and Officers are also defined in the Risk Management Strategy as follows:

- Executive and Corporate Leadership Team - has the ultimate accountability for the risk and related control environment and is responsible for approving and reviewing risk policies and setting the level of risk the council is prepared to accept – the 'risk appetite'.

- Audit Committee - is responsible for overseeing the effectiveness of the Council's risk management arrangements, escalating issues to the Corporate Management Team/Executive.

- Performance Scrutiny Committee - is responsible for ensuring that the Council's Strategic Risks are effectively managed, escalating issues to the Executive.

- Service Managers forum - is responsible for the facilitation and co-ordination of risk management activity across the Council.

- Directorates and Services - are the 'risk takers' and are responsible for identifying, assessing, measuring, monitoring.

3.7 Specifically in relation to the Audit Committee it's role and responsibilities are further set out in its Terms of Reference, as follows;

Governance, Risk and Control

(d) To monitor the effectiveness of the Authority's risk management arrangements (development and operation)

(g) To monitor progress in addressing risk-related issues reported to the committee.

3.8 The fulfilment of the Terms of Reference for the Audit Committee are achieved through an annual Risk Management report, which covers;

- Risk Management Strategy
- Strategic Risk Register
- Operational Risk Registers

- Training
- Benchmarking
- Greater Lincolnshire Risk Management Group
- Internal Audit reviews

In addition any specific risk related issues that are reported to the Committee through the quarterly Internal Audit Progress Report are tracked and monitored by the Committee. Internal Audit also carry out a risk and governance review each year which provides assurance and highlights any compliance issues or improvements in strategic risk management that may be required.

4. Strategic Priorities

4.1 Sound risk management is one way in which the Council ensures that it discharges its functions in accordance with its expressed priorities, as set out in the Vision 2020, and that it does so in accordance with statutory requirements

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

5.2 Legal Implications including Procurement Rules

The Council is required under the Accounts and Audit Regulations 2011 to have a sound system of Internal Control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and considerations about risk, reported through an annual report to the Audit Committee, is part of the way in which the Council fulfils this duty.

The Council's Constitution sets out the specific Terms of Reference of each of the Council's Committees. The specific roles and responsibilities of the Audit Committee in relation to risk management are set out in paragraph 3.7.

5.3 Equality, Diversity and Human Rights

There are no equality, diversity or human rights issues arising as a result of this report.

6. Risk Implications

6.1 This report relates to overall risk management, the Audit Committee should know about the most significant risks facing the Council and be assured that the risk management framework is operating effectively, this is fulfilled by the reporting arrangements as set out in paragraph 3.8

7. Recommendation

7.1 That the Audit Committee note the reporting arrangements for risk mitigation and recommendations and its role in ensuring the effective operation of the risk management framework.

Is this a key decision?   No

Do the exempt information   No
categories apply?

Does Rule 15 of the Scrutiny   No
Procedure Rules (call-in and
urgency) apply?

How many appendices does   None
the report contain?

List of Background Papers: None

Lead Officer: Jaclyn Gibson, Chief Finance Officer
                                        Telephone (01522) 873258

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AUDIT COMMITTEE   **11 DECEMBER 2018**

SUBJECT: **INTERNAL AUDIT PROGRESS REPORT** **REPORT BY:**   **AUDIT MANAGER** **LEAD OFFICER:** **AUDIT MANAGER**

1.   **Purpose of Report**

1.1   To present the Internal Audit Progress Report to the Audit Committee, incorporating the overall position reached so far, and summaries of the outcomes of audits completed during the period.

2.   **Executive Summary**

2.1   The report highlights progress against the audit plan.

3.   **Background**

3.1   A key requirement of public sector internal audit standards is that Internal Audit should report progress periodically to those charged with governance. The Audit Committee has within its terms of reference the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan. The latest progress report for 2018-19 is attached as the appendix to this report.

3.2   Internal Audit Progress Report

3.3   The Internal Audit progress report attached (Appendix A) covers the following areas :-

- Progress against the plan
- Summary of Audit work
- Implementation of Audit recommendations
- Current areas of interest relevant to the Audit Committee

4.   **Organisational Impacts** (nb. Finance, Legal and E & D sections below are mandatory, others to be completed only where there is an impact)

4.1   Finance (including whole life costs where applicable)

       There are no direct financial implications arising as a result of this report.

4.2   Legal Implications including Procurement Rules

       There are no direct legal implications arising as a result of this report.

4.3   Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

There are no direct E and D implications arising as a result of this report.

5.   Recommendation

5.1   The Audit Committee is asked to note the content of the latest Internal Audit Progress Report for 2018-19 and consider whether any of the following options are relevant :-

- Report and make recommendations to the Executive if they feel it appropriate
- Refer any matter under review they feel appropriate to the relevant Portfolio Holder, Scrutiny Chair or Committee
- Seek responses from Officers on matters arising (written or verbal) to be submitted to the next Audit Committee on any of the issues raised within this report or associated Appendices. Members may further wish to request the presence of the relevant Managers at the meeting to explain performance / specific issues.
- Accept the report and continue to monitor arrangements

Key Decision	No
Do the Exempt Information Categories Apply?	No
Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
How many appendices does the report contain?	One
List of Background Papers:	
Lead Officer:	Audit Manager Telephone 873321

City of Lincoln Council

Progress Report – November 2018

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Introduction

1. The purpose of this report is to:

    - Advise of progress made with the Audit Plan
    - Provide details of the audit work undertaken since the last progress report.
    - Provide details of the current position with agreed management actions in respect of previously issued reports
    - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. The 2018/19 audit plan is progressing well; at the end of October 58% has been completed, which is on target. The Plan is attached at Appendix 2 and shows progress to date.

3. At its last meeting Committee requested additional information on some overdue recommendations and this is attached as a separate report.

Internal Audit Reports Completed September - November

4. The following final reports have been issued since the last progress report;

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy / Advice
None	Commercialisation	IT Applications	None	City Lottery

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 4.

Below are summaries of the audit reports issued.

Commercialisation – Substantial Assurance

As funding from Central Government continues to reduce the Council has identified as part of its Strategic Plan – Vision 2020 - how it will deliver the Towards Financial Sustainability (TFS) Programme. Vision 2020 identifies one of the opportunities as generating new income streams and commercial opportunities. Three strands have been identified for the overall TFS programme;

- Property Acquisition
- Commercialisation
- Savings/Shared Services

The Council manages these strands through the TFS Board and Programme Team and development of an annual programme of projects with income saving targets.

This review provides assurance on the commercialisation activities, and also included a follow up of the actions made in the 2017/18 Property Acquisition audit.

The following risks were reviewed;

- Public Sector legislation and/or public sector ethics are breached in developing a commercial opportunity
- Forecasted financial targets for individual commercialisation projects are not achieved
- Delivery of individual commercialisation projects are not managed effectively – including capacity of service areas to respond to requirements of projects and service delivery

We examined these risks by considering the following areas;

- Project management including business case & process for agreeing a project
- Risk management around the activity
- Due diligence and involvement of the right advice in delivering the activity
- Management and delivery arrangements

Our review of how the Council is managing commercialisation provides substantial assurance on service delivery arrangements and controls in place.

The majority of larger commercialisation projects identified for 2018/19 are at an early stage in the project management cycle, with feasibility and business cases still being developed. A smaller project for maximising advertising income has been developed and is now operating. Current commercialisation projects are;

- Plans for retaining bereavement services income levels
- Development of strategy action plans for Lincoln Market
- Plans to deliver new all-weather pitches

We found that a number of controls were operating effectively including;

- Involvement of legal and finance staff in developing projects to ensure the right advice is obtained
- Corporate Social Responsibility built into the Lincoln Project Management Model
- Regular monitoring & reporting of financial targets and progress for individual commercialisation projects
- External advice on individual projects where required

We also reviewed the City of Lincoln Council projects and processes against Rushcliffe Borough Council who recently won an award for best commercial council. We found that City of Lincoln had identified and implemented similar commercial opportunities.

Rushcliffe identified good practices in developing a commercial approach and our review identified that many of these good practices are operating in the City of Lincoln Council;

- Council Executive and Senior Officers working together to have a strategic approach
- Developing robust business cases
- A flexible and open-minded approach
- A strong commercial team
- Providing commercial training
- Understanding risk appetite

We identified some areas where controls could be strengthened;

- Developing a commercial strategy for the Council – a peer review report to the Council in February 2017 recommended careful consideration on whether a strategy is required, they did identify that publishing a standard definition which crystallises the importance of commercialisation would be beneficial. We are recommending development of a strategy to give clarity on what commercialisation means to the Council, support to Officers in identifying appropriate projects and to help embed the ethos and mind set of commercialisation across the Council.
- Linking the commercial strategy to organisational development to ensure the right training is available to relevant staff
- Increasing communication on commercialisation, particularly at Team Leader level and below to develop a commercial mind-set and ethos across the organisation
- Updating the Towards Financial Sustainability risk register which has not been updated since March 2017. Implementing on-going monitoring and cross referencing to the Strategic Risk Register

Our follow up of the seven agreed actions in Property Acquisition audit found that;

- Four had been implemented as agreed
- Two were extended to the end of October 2018;
  - Update of the Asset Rationalisation Strategy
  - Development of a single filing structure
- One was superseded - management identified that they did not want a separate asset acquisition risk register, but that risk would be covered as part of updating the strategy and the risk assessment of each suggested project.

IT Applications – Limited Assurance

See Appendix 1 for full details.

City Lottery - Advice

A review of the governance and administration of the Lincoln Community Lottery (LCL) has been undertaken to provide assurance that good cause applications are being approved in accordance with the terms and conditions approved by Executive, and that the process is fully transparent and compliant with the Gambling Commission requirements.

Our focus has been on the following areas;

- Declaration of interest
- Assessment of good cause applications to the lottery
- Financial administration
- Contract arrangements

We found that;

- A gambling licence has been approved which included a declaration of interest by the two named responsible officers
- The licence holders, project manager, project sponsor and those on the Member Panel all abstain from purchasing tickets.
- A two year contract is in place with an External Lottery Manager (ELM) for the administration of the lottery
- There is a record of the assessment of good cause applications against the terms and conditions.
- The ELM set up a lottery page for each good cause to enable them to monitor ticket sales and promote their cause.
- The LCL website includes all relevant information for players, ie terms and conditions, how to complain and also promotes responsible gambling as required by the Gambling Commission.
- Payment for the purchase of lottery tickets is paid directly to the ELM who have safeguards in place to ensure ticket purchases are not excessive.
- The draw process is based on the results of the Australian National Lottery Super 66 game so is fully transparent and independent of both the ELM and COLC. The criteria for winning is clearly detailed on the website and includes how alternative numbers will be selected if the Super 66 draw is declared void.
- Payment of prize funds is made by the ELM directly to a player's nominated bank account.
- The ELM make payments to good causes monthly
- Returns are submitted to the Gambling Commission as required.

We suggested that the following improvements could be made; all have all been accepted and implemented;

- The assessment of good cause applications should record which officer made the assessment or if the application had to be referred to the panel for approval
- Applications that are turned down and the reason why should be formally recorded
- This voting criteria used by the Good Cause Approval Panel has been informally agreed and should be formally documented in the Terms of Reference.

Other Significant Work

5. Updates on other significant work;

   De Wint Court

   Internal Audit continue to provide project risk management support for the feasibility group.

   Culture Review

   At the previous meeting Members requested some information on the focus of this review.

   Part of the Committee's role is to consider the Council's arrangements for corporate governance, including the Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice. The Council's governance arrangements are evaluated against the CIPFA/SOLACE guidance on Good Governance.

   This Culture review focuses on Good Governance Principal A – Integrity and Values – "behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law".

   Ethical Governance refers to the processes and procedures, cultures and values that ensure high standards of behavior. To meet this principle and to operate effectively the Council needs robust structures, policies and procedures to be in place. But good governance isn't just about rules and procedures, but also about values and behaviours. The Council needs to have the right culture in place which is supported by appropriate values and behaviours.

   This review aims to provide the Council with some insight on not only the policies and procedures but how the governance arrangements work in practice for Members and Officers. In addition it was also a requirement of the PSIAS 2016 external standards review of Internal Audit that this type of review should be undertaken.

   In conjunction with colleagues in Assurance Lincolnshire we have developed a 'model' using good practice to enable us to evaluate culturally where the Council is against a number of strands;

   - Leadership & management
   - People
   - Processes and Procedures
   - Culture, Values & Consistency
   - Assurance & Accountability

Our approach has been to:

- Undertake data analysis through information such as Human Resources data, registers of gifts and hospitality, complaints and reviewing supporting policies and procedures
- Hold meetings with the Leader, Statutory Officers and Senior Management
- Consider approaches taken by other Council's

Once we have finalised our work we will produce a draft report and the findings will be initially tested with Statutory Officers and the Corporate Management Team. We will work with these officers to develop any actions required to support embedding the culture that the Council wants to see.

Dynamic Planning

To ensure that audit work is carried out on those areas where there is a current need some work has been done to find out if there are any new areas that should be considered for review since the Audit Plan was produced in January. A small number of potential audits were identified but none are considered to be urgent and they will be considered as part of the audit planning process for 2019/20.

The formal dynamic planning approach will be considered for the 2019/20 audit year

Counter Fraud

The following work is being done;

- National Fraud Initiative – the submission of the required data sets has been completed
- Housing Tenancy Fraud – a review using a credit checking agency is being arranged
- Counter Fraud training – an e-learning tool has been obtained through the Assurance Lincolnshire partnership and is being rolled out to all levels of management (team leaders & above)
- Updating the Corporate fraud strategy
- Updating the anti-money laundering policy
- Updating the corporate fraud risk register

Northamptonshire County Council – Financial Issues

Some work is being done to identify the governance weaknesses at NCC and determine if they are all included in the Combined Assurance map. Further information will be provided at the next Committee meeting in February 19.

Private Sector Housing HMO Licensing & Hazards – Follow Up

The 2017/18 audit was given Limited assurance and 13 recommendations were made and agreed (5 High priority and 8 Medium priority), which were to be delivered through 20 action points.

A recent follow up of these action points found that good progress is being made;

- 14 are completed (3 are High priority); some of which will be subject to detailed testing
- 3 are overdue and have been extended (2 are High priority)
- 3 are current (not yet due)

Since the audit was undertaken the HMO licensing regime has been widened and a new IT system installed to deal with the increased level of licence applications.

As the back office part of the system will not be fully operational until the beginning of December it has been agreed that detailed testing on the areas of weakness identified would be postponed until January 2019. A further update will then be brought back to this Committee.

Audit Plan Changes

6. There have been some changes to the Audit Plan which have been agreed with the Chief Finance Officer;

- Work Based Learning – postponed to 19/20
- ICT Strategy - postponed to 19/20 due to delays producing the Strategy

Audits in Progress

7. The following audits are in progress;

- Values & Culture – fieldwork in progress
- Health & Safety (Housing Fire risk) – draft report
- Transport Hub (final account) – draft report
- Fees & Charges VFM – fieldwork in progress
- Council House Sales - fieldwork in progress
- Commercial Property Income - fieldwork in progress
- Bank (key controls) – being prepared
- Combined Assurance Mapping – being prepared

Audit Recommendations

8. There is a formal process for tracking Internal Audit recommendations; they are recorded on a monitoring spreadsheet which management can record progress updates on at any time. Performance DMT's and Portfolio Holders monitor progress quarterly. On a monthly basis Internal Audit monitor recommendations becoming due. Prior to each Audit committee Internal Audit will obtain a status report and review progress with management.

Internal Audit undertake formal follow up on all High priority recommendations and all recommendations made in audits where the overall assurance is Limited or Low; evidence of implementation will be requested and examined.

The table below shows a summary of all audits where recommendations are implemented, overdue / extended and not yet due.

At the previous meeting Members requested verbal and written updates from management on the progress with recommendations that have been overdue for more than one year – this is provided in a separate report.

Recommendations Update (at 23rd November 2018)

Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress since previous Committee
2012/13							
Vehicle Fuel Management	Feb 2013	Limited	8 (1 High)	7 (1 High)	1		Driver code to be rolled out across the whole fleet and not just HRS
2015/16							
Accountancy	June 15	Effective	2	2			The outstanding rec has been downgraded to an Advisory point, and won't be tracked any further.
ICT Mobile Devices	Mar 16	Substantial	6 (1 High)	4	2 (1 High)		
2016/17							
Control Centre	Oct 16	Substantial	8 (2 High)	8 (2 High)			1 completed
Malware	Nov 16	Substantial	8 (3 High)	7 (3 High)	1		
Revs & Bens – Information Governance	Feb 17	Limited	15 (8 High)	14 (7 High)	1 (High)		
Recovery	Mar 17	Substantial	11	10	1		
2017/18							
Transport Hub	April 17	Substantial	8	8			The outstanding rec has been superseded by an action point in a current piece of work.
Responsive Repairs	Jun 17	Substantial	6	5		1	
Boultham Park Refurbishment	Jun 17	High	2	1	1		

Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress since previous Committee
Corporate Governance	Oct 17	Substantial	6	6			1 completed.
IT Disaster Recovery	Oct 17	Substantial	19	8	11		
Customer Experience Strategy	Nov 17	Substantial	10 (2 High)	10			2 completed.
IT Applications	Nov 17	Substantial	6	3	3		The outstanding rec has been superseded by an action point in a current piece of work.
Tenancy Services	Jan 18	Substantial	9 (3 High)	1 (1 High)	8 (2 High)		
Asset acquisitions	Feb 18	Substantial	9	6			3 recs have been superseded
Procurement	Apr 18	Substantial	6 (1 High)	5 (1 High)		1	1 completed
Car parking	Mar 18	Substantial	7	6	1		
HMO Licensing and Hazards	Jun 18	Limited	20 (5 High)	14 (3 High)	3 (2 High)	3	See section 5 for a detailed update. Some of the implemented recs are subject to testing in January 2019.
Housing Investment	Jun 18	Substantial	23 (4 High)	8	9	6 (4 High)	5 completed.
Council Tax	Jul 18	Substantial	6	4	1	1	
2018/19							
Risk Management	Jul 18	Substantial	8	6		2	6 completed
Sincil Bank Regeneration	Aug 18	Substantial	10 (1 High)	3 (1 High)		7	
Commercialisation	Oct 18	Substantial	4 (1 High)			4 (1 High)	

Performance Information

9. Our performance is measured against a range of indicators and is shown at Appendix 4. There are no concerns in any areas.

Other Matters of Interest

10. **Monitoring the Quality of External Audit**

Public Sector Audit Appointments (PSAA) publish quarterly compliance monitoring reports on the external audit contracts they oversee. The annual report summarises these results together with audit quality review findings. Audit committee members should be aware of any audit quality or compliance issues relating to their appointed external audit firm.

The combined regulatory compliance and audit quality performance scores (Principal Audits) 2018;

Firm	Score
BDO / EY / GT / KPMG	Amber
Mazars	Green

Appendix 1 – Details of Limited / Low Assurance Reports

IT Applications (Limited assurance)

This risk based review focused on key application security controls linked to the Council's main IT security policy across the following (minor) systems:

- Jontek (Emergency call receiving system)
- Gower (Cemetery and cremation records)
- P2 Concerto (Property management system)
- Chubb (Door access system)
- IDOX (Electoral Registration)
- Modern Gov /Mindset (Committee management system)

This follows on from a review of 5 applications during 2017/18 and 3 in 14/15

Two previous application audits (2014/15 and 2017/18) were both substantial assurance, and covered some key applications – APP (Public Protection), Universal Housing (Housing), Northgate (Revenues and Benefits) and Agresso (Finance), as well as other more minor systems managed by IT.

This review (18/19) has covered a range of six minor systems managed through Directorates. There are two high priority agreed actions and several detailed action points for system administrators to implement. These selected systems generally do not have the same level of system administrator expertise as other larger systems which has contributed to some areas of non-compliance.

A re-issue of System Admin guidance and relevant training will remind system all administrators of their obligations and responsibilities.

Many of the actions points are similar across systems and include:

- Ensuring appropriate contracts / annual maintenance agreements are in place
- Improvements related to data protection – reviewing privacy policies / retention and disposal arrangements
- Event logging and exception reporting
- Ensuring licensing compliance
- Following IT security policy and system admin guidance (the latter once re-issued)
- Reviewing and updating system administration and user access, including strong passwords

Internal Audit will undertake a follow up review in three and six months. The level of non-compliance resulted in this being (overall) a limited assurance report however there are areas of good practice.

Appendix 2 – Audit Plan Schedule

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Chief Executive - Critical Activities					
Human Resources (10)	Workbased learning – financial and operational risks	Q3-4			*Moved to 19/20 due to changes in the service (AC advised Dec 18)*
Human Resources (3)	Attendance management follow up	Q3			
Human Resources	*Implementation of the new people strategy*				*Potential audit – if time allows*
Human Resources (10)	Recruitment process	Q4			
Commercial Property & Business Support (10)	Commercial property & workspace income	Q3	Oct		In progress
Business Strategy (Vision 2020) (10)	Management of key projects	Q4			
Partnerships (10)	Governance and effectiveness.	Q4			
Commercialisation (10)	Review of strategy / projects	Q2-3	July	Oct	Completed – Substantial assurance
Housing and Regeneration - Critical Activities					
Housing Allocations / Choice Based Lettings (10)	Migration of data Data accuracy	N/A	N/A	N/A	Used for risk management support to Working Groups – Completed
Housing Voids, Aids & Adaptations, Rechargeable repairs	*Management arrangements*	*TBA*			*Potential audit – if time allows*
Council house sales (5)	Sales / discounts and income.	Q3	Oct		In progress
New Build / Housing Company (10)	Contracts and links to the housing company	TBA			Used for risk management support to the De Wint Court project group
Health and Safety (10)	Housing fire risk - governance arrangements	Q3	Sept		In progress
Communities & Environment - Critical Activities					
Planning (10)	Community Infrastructure Levy & S106. Local plan delivery and monitoring.	Q4			Possibly in conjunction with Assurance Lincolnshire
CCTV	*Management / monitoring of CCTV*				*Potential audit – if time allows*
Private Sector Housing (5)	DFG / Arrangements for the new Heating scheme	Q2	N/A		Background work has found that the audit is no longer required. The days will be used for existing audits (AC advised Dec 18).

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Major Developments - Critical Activities					
Growth (10)	Economic & Growth agenda - strategies, investment, partnerships, infrastructure.	N/A			Moved to 19/20 as the strategies are being developed during 18/19. The days will be used for the Values & Culture review (AC advised Sept 18)
Transport Hub (8)	Closedown of works and final account	Q2-3	Sept		Draft report
Chief Executive - Financial & Governance					
Benefits (10)	Universal Credit roll out incl Housing impact.	Q4			
Counter Fraud (20)	Liaise with the Lincolnshire Counter fraud partnership, undertake a Counter fraud healthcheck, engage with NFI, build on work from Fraud risk assessment, continue to roll out the fraud e-learning training.	Q1-Q4			In progress; • NFI data submitted. • Housing Tenancy Fraud review organized • Fraud e-learning training rolled out to team leaders & above
NNDR (5)	Business Rates Growth Policy/Reliefs	TBA			
Bank (5)	Banking arrangement key controls	Q3			
Procurement (10)	Review of frameworks & OJEU procurement plus social value policy.	Q4			
City Lottery (3)	Governance arrangements	Q2	Aug	Oct	Completed – Advice work No significant issues
Governance (10)	The Council's cultural framework	Q1	May		In progress
Governance (5)	Governance key controls for annual assurance.	Q1	April	May	Completed – no issues.
Risk Management (5)	Council's risk management arrangements	Q1	April	July	Completed – Substantial assurance
Information Governance (10)	General Data Protection Regulations	Q3/Q4			
ICT Audit (30)	Applications	Q1	July	Oct	Completed – Limited assurance
	Cyber risks	Q2-3	Sept	Oct	Draft report stage Moved to 19/20 – Strategy delayed (AC advised Dec 18)
	ICT Strategy implementation & ICT	Q3			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
	project / programme management				Will support IT in the actions related to It applications and the recent Cyber Security Stocktake
IT DR/Business Continuity (3)	Follow up of the Business Continuity Group actions from the 2017/18 IT DR audit	Q4			
Western Growth (15)	To review project management arrangements	Q1-4			Progress is being monitored and work will be undertaken at the appropriate time
Programmes and Projects (13)	Sincil Bank Regeneration

Review of project / programme governance arrangements, incl SPIT replacement | Q1

Q4 | June | Aug | Completed – Substantial assurance |
Consultancy / VFM (10)	Fees & Charges review	Q3-4	Sept		In progress
Emerging Legislation (2)	Arrangements for forthcoming legislation	Q4			
Other work					
Audit follow up work (10)	Assurance that actions from previous key audits have been implemented	Q1-Q4	Q1-4		Progress information is provided to every Audit committee
Combined Assurance (10)	Update the integrated assurance map

Provide information on equality & diversity pending a review in 19/20 | Q3/4 | | | Preparation started. |
Contingency and Emerging risks (30)	Contingency for any brought forward work and emerging risks	Q1-Q4			Part used for completion of 17/18 audits.
Advice and liaison, management, reactive investigations (35)	As area	Q1-Q4			Ongoing
Annual Internal Audit Report (3)	As area	Q1	April	May	Completed. To Audit cttee June 18
Audit Committee –(20)	Audit Committee support	Q1-Q4			Ongoing

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Housing Benefit Subsidy (50)	Testing on behalf of External Audit	Q1-2	May		Detailed testing completed – awaiting EA review
Review IA Strategy and Planning – (5)	New Plan for 2019/20	Q4			

Appendix 3- Assurance Definitions[1]

High Assurance	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.
Substantial Assurance	Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.
Limited Assurance	Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.
Low Assurance	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

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[1] These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 4 - Performance Details 2018/19 Planned Work

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed.	100%	25% end June 50% end Sept 75% end Dec 100% end Mar	58% at end of October
Percentage of key financial systems completed.	100%	100% end Mar	0% (none due)
Percentage of recommendations agreed.	100%	100%	100%
Percentage of High priority recommendations due implemented.	100% or escalated	100% or escalated	100%
Timescales: Draft report issued within 10 working days of completing audit.	100%	100%	75% (3 out of 4)
Final report issued within 5 working days of closure meeting / receipt of management responses.	100%	100%	100% (4 out of 4)
Period taken to complete audit –within 3 months from fieldwork commencing to the issue of the draft report.	80%	80%	75% (3 out of 4)
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Good to excellent. Average score – 31 out of 32. (4 issued and 4 returned)

Appendix 5 – Recommendations Overdue / Extended

Separate report produced.

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AUDIT COMMITTEE   **11 DECEMBER 2018**

SUBJECT:	**REVIEW OF INTERNAL AUDIT EFFECTIVENESS**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**AUDIT MANAGER**

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1.   **Purpose of Report**

1.1   To review the effectiveness of internal audit benchmarking against best practice and audit standards.

2.   **Background**

2.1   It is good practice to review the effectiveness of internal audit on an annual basis. A member/officer review group was established to review documents in detail and provide feedback to the Audit Committee.

2.2   The review was split into different areas covering:

- Audit standards review
- QAIP – the quality and improvement plan
- Quality reviews
- Performance
- Feedback
- Terms of reference/Charter
- Resources
- Assurance Lincolnshire – making the most of our partnership?

2.3   Documentation relating to these areas was examined by a Member review group.

2.4   The areas and suggested actions below were agreed by the review group and are subject to further consideration by Audit Committee.

3.   **Results of the Review**

3.1   Audit Standards Review

Compliance against PSIAS standards was set out in a self-assessment which was considered. Those areas needing to be addressed have been included within the QAIP (See below).

3.2   QAIP – The Quality and Improvement Plan

The QAIP is attached at Annex A. This covers a range of improvement areas currently being addressed and new areas.

Some of the key areas include:

- Completing the ethical / values audit review
- Considering dynamic audit planning for 2019/20
- Improve monitoring of audit recommendations
- Review and report on assurances linked to Northamptonshire (governance) report
- Review IA/AC effectiveness (using new CIPFA guidance)
- Review (specialist) IT audit provision 19/20 onwards
- Further training/guidance for staff – e.g. IT security
- Increase use of data analytics
- ICT audit strategy - further review

The review group were keen to see how these (and others) were going to be developed moving forward including data analytics / remote auditing / continuous auditing and provided some suggested links.

3.3   Quality Reviews

These have not identified any significant issues. Points are raised and cleared during audits. Reviews are undertaken by the Principal Auditor and Audit Manager.

3.4   Performance

Performance in 2017/18 across our key indicators was good.

- Percentage of plan completed (97%) – target 100%
- Percentage of key financial systems completed (86%) target 100%
- Percentage of recommendations agreed (94%) – target 100%
- Percentage of (overall) recommendations due implemented (65%) – target 100%

Timescales:

- Draft report issued within 10 working days of completing audit (100%) – target 100%
- Final report issued within 5 working days of closure meeting / receipt of management responses.(100%) – target 100%
- Period taken to complete audit within 2 months from fieldwork commencing to the issue of the draft report.(100%) – target 90%
- Client Feedback on Audit (average) (Good to excellent)

Performance for 2018/19 is broadly on target.

- Percentage of plan completed (58%) – target 100%
- Percentage of key financial systems completed (none due)
- Percentage of recommendations agreed (100%) – target 100%
- Percentage of high priority recommendations due implemented (100%) – target 100%

Timescales:

- Draft report issued within 10 working days of completing audit (75%) – target 100%
- Final report issued within 5 working days of closure meeting / receipt of management responses.(100%) – target 100%
- Period taken to complete audit within 2 months from fieldwork commencing to the issue of the draft report.(75%) – target 90%
- Client Feedback on Audit (average) (Good to excellent) Average score – 31 out of 32.

The two 75 % figures are expected to increase as the year progresses.

Implementation of recommendations can still improve and is closely monitored by the Audit Committee.

3.5   Feedback

Generally feedback is good to excellent and shows us that key areas for auditees are effective communication, explaining our process, not too time consuming, added value recommendations, flexible and working around commitments, but be mindful of "ultra" best practice as there is always a resource requirement to address actions.

"One off" views from managers / AD's have been sought and will be supplied if received.

3.6   Terms of Reference/Charter

The Internal Audit Charter was agreed at Audit Committee in 2016 hence require updating once the CIPFA local government application note on internal audit standards is published hopefully in the next two months.

3.7   Resources

We currently have 3 FTE's and a budget of £109,000 including IT and other non-staffing budgets heads.

On our (wide) sample our 450 days is bottom of the upper quartile in terms of days The simple average is 350 days. We are currently undertaking some more detailed benchmarking against other district councils.

3.8   Assurance Lincolnshire – Making the Most of Our Partnership

The partnership continues to add value through access to computerised audit system, shared audit practices training and quality control systems plus wider strategy work. It also helps with access to specialists (Risk, H/safety, insurance, counter fraud, ICT) and resilience.

The Audit Committee Forum is an example of good practice provided through the partnership.

The current joint business plan for the partnership is being redeveloped.

3.9 To summarise some of the main areas:

- IA provided by internal CoIC staff in partnership through "Assurance Lincolnshire"
- Experienced team working across several client sites
- Internal audit standards (PSIAS) met; self-assessment against the standards and action plan in place (QAIP)
- Skills assessments previously completed for audit staff - appraisals clarify training needs which are then planned during the year
- Strong audit processes - practice notes and templates regularly updated
- The Combined Assurance model (three lines of assurance) is seen as good practice and is fundamental to the audit strategy and audit planning
- Ethical standards have been provided to audit staff and declarations of interest signed
- Principal Auditor and Audit Manager quality review - no significant issues
- The internal audit strategy updated but will change again in 2019-20
- Planned work includes core governance areas including risk management, performance, ICT, finance, projects, contracts, service specific, due diligence, emerging risks, savings and transformation, counter fraud
- There are good client relationships - post audit questionnaires (PAQ) received during the year recorded overall feedback as "good to excellent". Clients value effective communication.
- Performance – plan completion and targets are satisfactory in most areas; implementation of recommendations can still improve
- Costs for internal audit have been reviewed regularly with adjustments in the past. There is current benchmarking underway
- The Assurance Lincolnshire partnership provides access to a computerised audit system, standard audit practices; training and quality control systems. It also helps with resilience and access to specialists as required (Risk, H/Safety, Insurance, Counter Fraud, ICT)

There are improvements to undertake and these are highlighted in the QAIP.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

There are no direct financial implications.

4.2 Legal

There are no direct legal implications.

5. Recommendation

5.1 Members should consider the points raised from the review of effectiveness.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? One

List of Background Papers: None

Lead Officer: John Scott, Audit Manager
Telephone (01522) 873321

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Quality Assurance **Annex A**

The quality assurance framework is designed to ensure quality outcomes. The audit process is designed to deliver a consistently high quality audit service to our clients – one that is fit for purpose / meets client expectations and conforms to public sector internal audit standards. The quality improvement plan below provides details of planned, completed and ongoing improvements to strengthen our arrangements. Any significant non-conformance would be included in the Internal Audit Annual Report.

Ongoing monitoring for quality is built into the audit process. Checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working well. This provides on-going assurance that that engagement planning, fieldwork conduct and reporting / communicating results adheres to audit practice standards

We review and update the QAIP action plan regularly and focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards. We arrange an external quality assessment periodically – co-ordinated with Audit / Audit and Governance Committee (last completed 2016)

We undertake periodic quality assurance assessments covering engagement planning, fieldwork, conduct and reporting / communicating results, ensuring we adhere to audit practice standards.

Quality Assurance Improvement Programme (Action plan)

Opportunities for Improvement	Date	Status	Resp
1.Complete ethical / values audit review – ColC	Dec18	In progress	AM
2.Complete ethical / values audit review – BBC	Mar 19	Scheduled	AM
3.Complete governance review BBC/COLC	Mar 18	Complete – (Annual)	AM
4.PSIAS – communicate standards/regular practice discussions with staff	Mar 19	Ongoing	AM/AL
5.PSIAS – Update Internal Audit Charter, once CIPFA application note published (Will cover BBC/ColC)	Mar 19	Scheduled	AM/AL
6.Improve in-year reporting to CMT (BBC/ColC)	Mar 18	Complete	AM
7.Review practice notes/processes	Mar 19	Ongoing	AM/AL
8. Dynamic audit planning - practice note	Dec 18	In progress	AM/AL
9. Audit planning – update risk scores using new methodology BBC/COIC	Dec 18	Scheduled	AM
10.Dynamic audit planning - consider approach 19/20, BBC/COLC	Feb 19	Scheduled	AM/AL
11.Improve cross partnership working	Mar 19	Ongoing	AM/AL
12.Improve monitoring of audit recommendations (ColC)	Mar 19	Ongoing	AM
13.External Audit (Mazars) –consider IA/EA protocol	Mar 19	To be discussed	AM/AL
14.Review and report on assurances linked to Northamptonshire (governance) report ColC	Dec 18	In progress	AM/AL
15.Review and report on assurances linked to Northamptonshire report BBC	Feb 19	Starting	AM/AL

16. Review audit software process steps	Sept 18	Completed	AM/AL
17. Review security of data transfer BBC/ColC	Sept 18	Completed	AM/AL
18. Review IA/AC effectiveness (using new CIPFA guidance) ColC	Dec 18	Scheduled	AM/AL
18. Review IA/AC effectiveness (using new CIPFA guidance) BBC	Mar 19	Scheduled	AM/AL
19. Review AC terms of reference (new CIPFA guidance) ColC	Sept 18	Completed	AM/AL
20. Review AC terms of reference (new CIPFA guidance) BBC	Sept 18	Initial assessment completed	AM/AL
20. Review (specialist) IT audit provision 19/20 onwards	Mar 19	In progress	AM/AL
21. CPD/training and development Assurance Lincs/CIPFA/Audit groups/other	Mar 19	Ongoing	AM/AL
22. GDPR – review agreements for contract compliance	Mar 19	Ongoing	AM/ BBC
23. Consider (short) summary report for management	Mar 19	Commenced	AM/AL

Additional areas

24 Further training/guidance will be provided to staff – e.g. IT security	Mar 19		AM/AL
25 Increase use of data analytics – start to end	Mar 19	In conjunction with Assurance Lincs	AM/AL
26 Make the 18/19 audit plan more explicit in terms of other assurance around shared services/partnerships/joint committees	Mar 19	When plan developed	AM/AL
27 Ensure summary half year report taken to CMT at least 6 monthly (Nov/Dec)	Mar 19		AM/AL
28 CAE update JD	Mar 19		AM/CFO
29 Skills (available) still need to be more explicit in annual plan	Mar 19	When plan developed	AM/AL
30 Ensure governance (coverage) is included explicitly in the audit steps (as well as fraud/VFM)	Dec 18		AM/AL
31 Moving to new progress report style/format	Mar 19		AM/AL
32 ICT audit strategy - further review	Mar 19	Starts November 2018	AM/AL
33 Update Annual report format	Mar 19		AM/AL
34 Lean review	June 19	In conjunction with Assurance Lincs	AM/AL
35 Compliance work - consider ELDC approach	June 19		AM/AL
36 Continuous audit – review Notts County Council approach	June 19		AM/AL

AM – Audit Manager
AL – Assurance Lincolnshire
BBC – Boston Borough Council

AUDIT COMMITTEE   **11 DECEMBER 2018**

SUBJECT:	**REVIEW OF AUDIT COMMITTEE EFFECTIVENESS**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**AUDIT MANAGER**

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1.   Purpose of Report

1.1   To review the effectiveness of the Audit Committee benchmarking against CIPFA best practice.

2.   Background

2.1   CIPFA have recently published new guidance for public sector audit committees and therefore it was felt to be an appropriate time to undertake a review against these. The Committee have already reviewed and approved new terms of reference based on the new guidance in September 2018.

2.2   The review was split into different areas covering:

- Terms of reference
- Work programme comparison to terms of reference
- The main CIPFA self-assessment
- Training - Core areas of knowledge and skills
- Effectiveness of the Audit Committee (adding value section)

2.3   Documentation relating to these areas was examined by a Member review group.

2.4   The areas and suggested actions below were agreed by the review group and are subject to further consideration by the Audit Committee

3.   Outcome of Review Group - Suggested Areas for Further Action

3.1   Assurance on Value for Money Arrangements

This is covered in the Audit Committee terms of reference and also the self-assessment document. Currently the Committee receive assurance through internal audit reports and the External Auditor's review of value for money arrangements. There is no specific VFM reporting.

It was felt that a specific annual report on value for money arrangements would be useful for the Committee to receive.

If there were any VFM matters that needed reporting during the year this would be via the internal audit progress report.

3.2   Ethics – Ethical Values and Engaging with Other Committees

Both the terms of reference and the self-assessment make reference to a role with supporting ethical values.

"To engage with relevant committees to help support ethical values and reviewing arrangements to achieve those values as appropriate".

"To review the Council's arrangements for corporate governance, including the local Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice (the good governance framework, including the ethical framework)".

Currently the Committee reviews the Code of Corporate Governance and Annual Governance Statement. A values and behaviours internal audit report is scheduled to be reported to Audit Committee in February. It was proposed that following the receipt of this report, Members would be in a more informed position to determine how they may wish to further support these areas within the terms of reference.

The review group also suggested considering input from the Corporate Social Responsibility forum.

3.3   Review of Governance Arrangements for Significant Partnerships

Both the terms of reference and the self-assessment make reference to a role with this area.

This is covered to an extent within existing internal audit reports (there is a specific partnership audit in 2018/19) and partnership working is also covered in other audits

However, it was felt that a new partnerships annual report should be presented to the Audit Committee covering key governance arrangements to ensure that the Committee met fully the terms of reference.

3.4   External Auditors Annual Assessment Review

The terms of reference require "to support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate".

The PSAA produce a regulatory compliance and quality review report once a year.

It was suggested that this should be included in the audit progress report, once published.

This will be included in the December 18 IA progress report (summary).

3.5   Follow Up (Track) External Audit Recommendations

The terms of reference require this. External audit recommendations are reported

to Committee but the tracking is not as formal as it could be.

To ensure that they are tracked and regularly reported back to Audit Committee it was felt that they should be included with the internal audit recommendation follow up system.

3.6   Annual Audit Committee Report – Ensure Approved via Audit Committee if Possible

Terms of reference: "*To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.*"

Good practice would be to circulate to Committee in advance. Due to time restrictions it was suggested that this could be at least circulated by email for comments in advance.

3.7   Oversight of Other Public Reports

Not in the current TOR but it is considered good practice for an oversight of other public reports – e.g. annual report

The review group felt that reports are already available to all members, through Executive and other Committee agendas, and therefore there was no requirement to formally present to audit committee.

Officers would ensure that the Independent Member also received such reports.

3.8   Core Knowledge and Skills

CIPFA have produced schedules of core knowledge and skills – the former is dealt with mainly through the range of reports received by Committee.

It was suggested that some training would be developed and offered to cover these areas – both as a presentation and also through e-learning (or equivalent). The documents would be circulated to members who could also request a focus on specific areas. These are attached at Appendix A and B.

The review group highlighted the fact that for any new members the committee very quickly get into detail on complex reports such as the statement of accounts so any training needs to be delivered in a timely manner.

Officers would review what training options were available both internally and externally.

3.9   Understanding and "Promotion" of Local Code of Corporate Governance and AGS

This came under the effectiveness review.

This is covered in the Audit Committee annual report. Members may wish to focus on this area when considering the draft report.

3.10 <u>Implementation of Audit Recommendations</u>

This is part of the terms of reference and members have already taken the initiative to undertaken greater scrutiny of overdue recommendations with officers commencing December 2018.

3.11 <u>Public Interest Entity - Requirements</u>

During 2018 it was communicated by the External Auditor that PIE accounting requirements meant that the Audit Committee should have the following:

"At least one member of the audit committee must have competence in accounting and auditing(same requirement as in the 2006 Statutory Audit Directive)"

The review group raised this again and the Chief Financial Officer agreed to raise the matter with the new External Auditors.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

There are no direct financial implications.

4.2 Legal

There are no direct legal implications.

5. Recommendation

5.1 Members should consider the points raised from the Audit Committee review of effectiveness and agree which ones should be taken forward together with any suggested amendments.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	Two
List of Background Papers:	None
Lead Officer:	John Scott, Audit Manager Telephone (01522) 873321

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Comments
Organisational knowledge	An overview of the governance structures of the authority and decision-making processes Knowledge of the organisational objectives and major functions of the authority	This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers	Constitution Committees/Portfolios Management structure Vision 2020 Projects/plans/partners
Audit committee role and functions (Chapters 3 and 6)	An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements Knowledge of the purpose and role of the audit committee	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others	AC terms of reference AC effectiveness AC self-assessment CIPFA guidance

Governance (Chapter 4)	Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS Knowledge of the local code of governance 🟨	The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework The committee will plan the assurances it is to receive in order to adequately support the AGS The committee will review the AGS and consider how the authority is meeting the principles of good governance	Local Code of Governance AGS 1

Internal audit (Chapter 4)	An awareness of the key principles of the PSIAS and the LGAN Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled	The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan	PSIAS and core areas Internal audit plan Annual IA report External assessment

Financial management and accounting (Chapter 4)	Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them Understanding of good financial management principles Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018)	Reviewing the financial statements prior to publication, asking questions Receiving the external audit report and opinion on the financial audit Reviewing both external and internal audit recommendations relating to financial management and controls The audit committee should consider the role of the CFO and how this is met when reviewing the AGS	Financial statements Associated training Financial procedure rules Role of CFO – CIPFA Financial management Financial resilience MTFS
External audit (Chapter 4)	Knowledge of the role and functions of the external auditor and who currently undertakes this role Knowledge of the key reports and assurances that external audit will provide Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken	The audit committee should meet with the external auditor regularly and receive their reports and opinions Monitoring external audit recommendations and maximising benefit from audit process The audit committee should monitor the relationship between the external auditor and the authority and support the	External auditor – Mazars External audit plan AC Work programme PSAA Quality monitoring

		delivery of an effective service	
Risk management (Chapter 4)	Understanding of the principles of risk management, including linkage to good governance and decision making Knowledge of the risk management policy and strategy of the organisation Understanding of risk governance arrangements, including the role of members and of the audit committee	In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee The committee should also review reports and action plans to develop the application of risk management practice	Risk strategy Key risk registers IA assurance Combined Assurance Annual RM report Role of members (TOR) / work programme

Counter fraud (Chapter 4)	An understanding of the main areas of fraud and corruption risk to which the organisation is exposed Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) Knowledge of the organisation's arrangements for tackling fraud	Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment	Counter fraud strategy Fraud policies Fraud risk register Fraud reporting (6 monthly) Fraud training Fraud partnerships
Values of good governance (Chapter 5)	Knowledge of the Seven Principles of Public Life Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff Knowledge of the whistleblowing arrangements in the authority	The audit committee member will draw on this knowledge when reviewing governance issues and the AGS Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported	Member training Code of Conduct Whistleblowing arrangements Ethics Committee Ethical governance

Treasury management (only if it is within the terms of reference of the committee to provide scrutiny) (Chapter 5)	Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures in relation to treasury management See also Treasure Your Assets (CfPS, 2017)	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny	Treasury management strategy Treasury management training Role of Scrutiny

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Audit Committee Members – Knowledge and Skills Framework

CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side tracked by detail	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations Challenging performance and seeking explanations while avoiding hostility or grandstanding	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility	The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken

Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice	The audit committee should seek assurances that planned actions are practical and realistic
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience
Objectivity	Evaluate information on the basis of evidence presented and avoiding bias or subjectivity	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members

AUDIT COMMITTEE   **11 DECEMBER 2018**

SUBJECT:	**FRAUD AND ERROR UPDATE REPORT (2018/19) 6 MONTHS**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**AUDIT MANAGER**

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1. **Purpose of Report**

1.1   This report provides an update to Committee on Counter Fraud arrangements.

2.   Executive Summary

2.1   This report:

- Provides an update on the Lincolnshire Counter Fraud Partnership
- Provides a position statement on the National Fraud initiative
- Outlines fraud work within Housing benefits and other areas
- Provides an update on counter fraud outcomes

3.   Lincolnshire Counter Fraud Partnership (LCFP)

3.1   The Lincolnshire Counter Fraud Partnership involving all Lincolnshire Councils was created following the successful application for Government counter fraud funding. Partnership working across all Lincolnshire Councils has been extended to 31st March 2019. For 2018/19 the group has now been extended to include representatives from the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police. All partners have made a small financial contribution to develop and deliver proactive exercises and investigate fraud. This is being project managed by Lincolnshire County Council. The partnership has been involved with a number of counter fraud projects and has a forward programme of work.

3.2   **LCFP Counter Fraud Plan 2018 /19**

The Partnership's plan for 2018/19 the plan is aligned to the CIPFA Counter Fraud Code of Practice on Managing the Risk of Fraud and Corruption, ensuring that it reflects key areas. The Code contains 5 key principles and these are reflected within the plan:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption

Areas of Progress in 2018/19 Include:

- raising fraud awareness by delivering free identity fraud training via Lincolnshire Police: – for Lincoln the training outcomes (November 18) will be captured and cascaded to relevant sections within the Council to help identify any gaps
- delivering workshops with members and completion of the Fraud Awareness e-learning which continues to be well received (at Lincoln Audit Committee members have received the e-learning and a shorter version will be rolled out to all members in December 18 with some follow up training in March 19)
- regular liaison and sharing of information on scams, alerts and fraud cases
- delivering revenue savings. The SPD Managed Service Review is estimated to deliver additional net Council Tax revenue of £1.3m (3693 removals). Such schemes support Lincolnshire LA's to increase Council Tax revenue collection through reduced fraud losses. (See Section 4.7 which provides more details on the savings for Lincoln)
- reviewing the exit arrangements for the Fraud Awareness e-learning as the current licence arrangements expire on 31 March 2019.
- sharing best practice e.g. pro-active work focussing on procurement fraud risks has been shared across the Lincolnshire LA's as a possible approach
- performing a follow up Fraud Health Check (North Kesteven District Council) - providing assurance that counter fraud arrangements continue to improve
- supporting pro-active blue badge reviews being performed

Partnership Priorities for the Remainder of the Year Include:

- developing a business case for dealing with Single Person Discounts which delivers additional financial benefits and a stronger response to Council Tax fraud/error compared to the current approach. The proposal estimates that the revised arrangements will deliver additional council tax revenue over a 5 year period of £10.5m (gross). This is £5.25m more than the current biennial review strategy is estimated to deliver over the same period.
- developing understanding of the Cyber Fraud threat - a rapidly evolving risk where we wish to develop an effective response.
- updating the Counter Fraud leaflet and promotional items. Continuing to use varied and extensive communication channels to promote fraud awareness among a wide audience.

3.3 **CIPFA Fraud and Corruption Tracker (2018)**

This report focuses on the local government sector. It provides a spread of results that enabled CIPFA to estimate the total figures for fraud across English, Welsh and Scottish local authorities. The 2018 report:

3.4 Key Findings:

CIPFA has estimated that for local authorities in the UK, the total value of fraud detected or prevented in 2017/18 is £302m, which is less than the £336m estimated in 2016/17. The average value per fraud has also reduced from £4,500 in 2016/17 to £3,600 in 2017/18.

The 2017/18 CFaCT survey indicates that there are four main types of fraud (by volume) that affect local authorities:

1. council tax
2. housing
3 disabled parking (Blue Badge)
4. business rates.

Estimated value of fraud detected/prevented:

Housing fraud 71.4%
Business rates 3.4%
Council tax fraud 8.7%
Other types of fraud 14%
Disabled parking concession 2.4%

Other types of fraud:

Fraud covers a substantial number of areas and within organisations these can vary in importance. This part of the report looks at specific areas of fraud that did not appear as major types of fraud within the national picture but are important to individual organisations. These include the following fraud types:

- adult social care
- insurance
- procurement
- no recourse to public funds/welfare assistance
- payroll, recruitment, expenses and pension
- economic and voluntary sector support and debt
- mandate fraud and manipulation of data.

We have reviewed the report and benchmarked to our City of Lincoln Council (CoLC) fraud risk register.

4. **CoLC Activity**

4.1 **Housing Benefit**

For 2017/18 the total number of referrals to SFIS was 155. The total administrative penalties issued was 11, totalling £19,197.57 in overpayments. Total prosecuted and found guilty was 5, totalling £19,509.53 in overpayments. CTR reductions as a result of a housing benefit investigation were £3187.61.

In comparison for 2016/17 the Council was involved with 184 benefit referrals to and from SFIS. The total administrative penalties issued was 19, which had a value of £27,368.74. The overpaid Housing Benefit value was £ £56,509.53.

The Benefit/CTS fraud, sanctions and prosecutions policy has been updated

4.2 **Right Benefit Initiative (RBI)**

RBI has been replaced.

4.3 **Council Tax Support**

CTS reduction is still being discussed between officers. This is in relation to rolling SPD reviews and SMART referrals which could take place from April 2019.

There is a significant resourcing issue across the district, as well as the SMART referrals requiring a fraud investigation resource. A further update will be provided at the 12 month report.

4.4 **Housing Tenancy**

For 2016/17 there were no cases of sub-letting. During 2016/17 the Council served 9 notices to quit including non-occupation.

For 2017/18 there were 2 sub-letting cases and 24 notices to quit (including non-occupation) (Abandoned = 20; Non-occupation = 4)

2018/19 figures are "to follow"

It was agreed as part of the 17/18 Tenancy Internal Audit to:

- Undertake a tenancy fraud risk assessment and produce an updated fraud strategy/action plan, aligned to a refresh of the tenancy fraud policy.
- Update the tenancy fraud policy.
- Undertake some pro-active fraud work during 2018/19 (using a tenant verification service).

These should be implemented during by 31st March 2019.

4.5 **Business Rates**

The definition of fraud within business rates is difficult, avoidance is a serious issue and one which does impact all Districts including CoLC.

A specific Invest to Save project was undertaken from August 2016 to November 2017 focusing on BR fraud and avoidance. The project was successful in increasing the CoLC rateable values by 121,018 for the 2010 list and 153,146 for the 2017 list, equating to an additional £71,366 of Business Rate income. Following on from the success of this project, officers with the Revenues Team have continued to build upon the work that was started. The NDR team continue with the work as part of their day-to-day – ensuring proactive checks are undertaken on the planning lists and utilising the Visiting Officer capacity within the team.

4.6 LCFP have also submitted a joint NFI funding bid for a proposed funded business rate pilot. It looks to match business rate data together with existing NFI data such as residential care home data and premises data within and between bodies to identify potential business rate fraud. NFI asked groups of councils to make a unified bid. A bid covering all the Lincolnshire districts has been submitted. With regards to the joint

NFI funding bid, we received confirmation on 1 June 2018 that we hadn't been selected to take part in the pilot.

4.7 **Council Tax**

A Council Tax single person discount exercise took place during 2018 across Lincolnshire completed by the end of August in readiness for the tax base calculation in September 2018.

A tender process was undertaken in Spring 2018. The SPD review began in Summer 2018. The outcomes of the review are as follows for City of Lincoln :

Total records screened	10,563	
Accounts targeted	2,440 (23.1%)	Target specification as per tender
Total removals	722	This may reduce due to potential reinstatements – customer may not have responded to initial canvas/reminder and so SPD is removed. If customer can prove SPD entitlement, it is re-instated by the Shared Service Council Tax Admin team – currently there have been 300 enquiries to the team
Removal rate	6.8%	
Estimated Revenue Generated	**£218,724**	
Estimated collectable revenue based on 17/18 outturn collection	£212,534 (97.17%)	
Average removal	£273	
Largest Removal value	£1,467	
Oldest removal date	September 2013	
Band Removal relates to	Band A	

4.8 **Whistleblowing and Fraud Awareness**

The Council continues to use the LCC County wide hotline, which receives its own publicity. We have refreshed the Council Website counter fraud page, particularly around fraud/whistleblowing referrals. Communication to Managers and other employees has taken place around fraud risk, policies and reporting.

Fraud-e-learning is currently being rolled out during 2018/19 and commenced in 2017/18. It is also intended to roll out across members (Audit Committee members have already received the presentation/training).

4.9 During 2017/18, we have had 16 whistleblowing reports, in comparison to 3 in 2016/17, these were in relation to;

6 x HB
2 x Fraud
4 x Council Tax

1 x Waste/refuse
1 x Contract
2 x Housing
For the first six months of 2018/19 we had 20 whistleblowing reports

6 x HB
1 x Fraud
6 x Council Tax
1 x Debt/recovery
5 x Housing
1 X health and safety

4.10 **Cyber Fraud/Cyber Crime**

The Council continues to place high importance on cyber security. Security measures are applied, kept under review and audited regularly. The Authority is also subject to Central Government compliance initiatives.

An anti-malware internal audit is currently being finalised during 2018/19.

In 2017/18, an IT Disaster recovery internal audit and Application audits were completed. Actions are still being progressed.

LCFP Group is to develop cyber-crime projects during 2018/19.

4.11 **Other Fraud**

Credit card fraud - during 2016/17 we had one case of credit card fraud linked to refund fraud (no financial loss to the Council). Other Councils had been targeted and the matter was reported to the Police. Procedures have been reviewed again.

During 2017/18 there was one case of reported credit card fraud, but there was no impact the Council.

No reports during 2018-19.

4.12 **National Fraud Initiative**

The Council continues to be engaged with the National Fraud Initiative (NFI) which involves national data matching using a range of Council data sources including payroll, benefits, creditors, housing, and licences, insurance. The purpose of the data matching is to highlight "potential" fraud and error cases which require investigation.

During 2017/18 the results of the work on matches are:

1953 matches and 1842 processed, this identified 1 fraud and 40 errors, recovering £26,250.51 (all HB/CTS)

New data sets were submitted in October 2018 and data matches will be assessed from January 2019 onwards. The outcomes from data matching will be risk assessed in more detail for 2018/19 as many of the match types did not identify any fraud or error. This may influence the level/quantity of testing in 2019.

4.13 **Fraud Strategy and Fraud Policies**

Fraud Policies and Fraud Risk

A revised Money Laundering Policy was last reviewed in September 2016 and will be reviewed again in December 2018. The Counter Fraud Policy / Strategy was also updated, taking account of new CIPFA and DCLG Government guidance and submitted to the Audit Committee September 2016. This will be reviewed in December 2018.

The Council's Anti-Bribery Policy was reviewed in February 2017. The Whistleblowing Policy was updated and presented to the Audit Committee in December 2017. The Council's fraud risk assessment was updated and a revised risk register presented to Audit Committee in February 2018.

The Benefit / CTS fraud, sanctions and prosecutions policy is being revised and was approved by the Executive in 2018; Audit Committee also received a copy.

During 18/19 a health check review will be undertaken with LCFP to ensure arrangements are robust and focused on pro-active work correctly.

4.14 **Outcomes from the Counter Fraud Strategy**

Operational outcomes to help evaluate effectiveness are included within the existing strategy. The outcomes are shown at Table A below.

- High levels of fraud awareness
- Zero tolerance to fraud (number of referrals / ensuring suspicions reported and action taken)
- Reduced losses (a low incidence of fraud)
- Delivery of pro-active counter fraud work (work plan)
- Reducing the risk of fraud
- Successful prosecutions, other sanctions and recovery of losses
- Successfully engagement with partners

4.15 **Table A**

Area	Comments
Delivery of pro-active counter fraud work (work plan)	The Council's strategy is based on CIPFA and Government best practice and has been updated in line with new guidance.
Achieving counter fraud best practice	The Lincolnshire Counter Fraud Partnership uses Counter fraud specialists to support delivery of a County wide action plan. Outcomes are included within this report above. This partnership will run until at least 31/3/2019.

High levels of fraud awareness	Reminders are issued to all staff at least annually related to Council fraud policies, whistleblowing etc. On-line fraud training has commenced and planned for full roll out before 31st December 2018 Other parts of the organisation particularly Housing benefits and Council Tax have had effective publicity and campaigns. The updated fraud risk register will help to raise awareness further and we have issued some communications around this. The Council's website fraud pages have been refreshed and made clearer. A future survey will help to gauge awareness
Successful prosecutions, other sanctions and recovery of losses	An updated sanctions and prosecutions policy was agreed in 2018. Sanctions/prosecutions are outlined above
Reducing the risk of fraud	A fraud risk register is in place and has been updated in 2017/18 and again in 2018/19 The counter fraud action plan and risk mitigation actions should help to reduce risk further.
Successfully engagement with partners (including National Fraud Initiative, HBMS, LCFP and others)	ColC complies with NFI requirements and participates in reviewing and reporting on data/outcomes. The Council engages as a partner within the Lincolnshire Counter Fraud Partnership. The Police are a new partner from 17/18. The Council works closely with Department for Work and Pensions/Single Fraud Investigation Service. DWP RBI scheme
Zero tolerance to fraud (number of referrals/ensuring suspicions reported	This is part of the reminders issued to all staff and there has been additional publicity around reporting fraud within City Hall public areas. Referrals are received from the public (service areas and customer services)

and action taken)	The Council has a relatively low incidence of reported fraud / loss generally. Further benchmarking across Lincolnshire would be useful.
Reduced losses Low incidence of fraud	The Council has a relatively low incidence of reported fraud / loss generally. Further benchmarking would be useful, which the LCFP may action in 18/19

4.16 **Insurance**

The table below sets out the number of insurance claims and incidents during 2016/17, 2017/18 and 2018/19 along with the total cost of claims.

4.17

	2016/17	
CAUSE	**Number**	**Total Cost of Ins Claim**
	Insurance Claims & Incidents	**(Paid & Outstanding)**
Arson - Perpetrator Unknown	6	£17,953.80
Break In - No Theft	3	£2,218.60
Malicious Damage	4	£508
Theft - Forcible Entry	1	2,708.39
Theft	6	£400
Vandalism	22	£6,282.36
	Total	**£30,071.15**

4.18

CAUSE	**2017/18**	
	Number	**Total Cost of Ins Claim**
	Insurance Claims & Incidents	**(Paid & Outstanding)**
Arson - Perpetrator Unknown	1	£3,172.72
Break In - No Theft	2	£0
Malicious Damage	1	£1,116.14
Theft - Forcible Entry	0	0
Theft	1	0
Vandalism	24	£11,326.34
	Total	**£15,942.20**

CAUSE	**2018/19**	
	Number	**Total Cost of Ins Claim**
	Insurance Claims & Incidents	**(Paid & Outstanding)**
Arson - Perpetrator Unknown	3	1000
Break In - No Theft	2	0
Malicious Damage	10	0
Theft - Forcible Entry	0	0
Theft	3	0
Vandalism	11	0
	Total	**£1,000**

4.19 **Fraud Risk Register**

The Corporate fraud risk register has been developed with officers, which has been effective from 2014. This was updated in February 2018 and again in December 2018

The register shows the main fraud risk types, fraud risk assessment and further actions that are proposed to mitigate the risks.

- Fraud Strategy
- Contracting /contract management
- Procurement
- Payments
- Income Collection
- Debt management
- Money laundering
- BACS /Cheque fraud
- Payroll / employees
- Treasury management / investment fraud
- Property / land/ equipment
- Grants - Housing and Economic Support / Third Sector
- False accounting
- IT / Data
- Insurance
- Council Tax
- Housing
- Business Rates
- Council Tax Support Scheme
- Housing Benefit
- Development Management
- Theft/Asset misuse
- Refund fraud
- Election fraud

4.20 Key CoLC (Amber) fraud risk areas are:

- IT/Data
- Insurance
- HB/CTS
- Housing
- Elections

Key mitigation actions in the register:

- To agree the level/type of additional creditor duplicate payment checks
- Purchase order project
- Money Laundering policy update
- Completion of Council inventory
- Implementation of (IT security) audit recommendations

- ICT LGA Stocktake (actions to be agreed)
- IT DR review completion
- Single Person Discount review 2018 (completed)
- Reviewing rolling SPD reviews and SMART referrals with LCFP
- Undertake a tenancy fraud risk assessment / produce an updated fraud strategy/action plan, aligned to a refresh of the fraud policy.
- Undertake pro-active fraud work during 2018/19 (using a tenant verification service).
- Tenant ID verification
- IT asset check
- Further training for officers and members that sit on outside bodies, particularly where there is a financial aspect / role involves financial decision making

4.21 **Fraud Case Summary 18/19 and 17-18 Comparison**

	Fraud cases 17/18	Fraud cases 18/19	Comments 2017/18	Comments 2018/19
Council Tax Support	7		CTR reductions as a result of a HB investigation - £3,187.61.	To follow
Business rates	0	0	Avoidance City of Lincoln RV for 2010 has increased by 121,018 and for 2017 by 153,146. For 2017/18, based on the multiplier of 0.466 this is an additional £71,366 of Business Rates income.	Ongoing avoidance work
Housing benefit	16		The total administrative penalties issued was 11 totalling £19,197.57 in overpayments. Total prosecuted and found guilty – 5 totalling £19,509.53 in overpayments. £26,021.22 overpayment value	To follow
Housing sub letting	2			To follow
Housing other			24 Notice to quit /non occupation	To follow

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising from this report

5.2 Legal Implications including Procurement Rules

There are no direct legal implications arising from this report

6. Recommendation

6.1 That Members consider and comment on the report.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain?

List of Background Papers: None

Lead Officer: John Scott, Audit Manager
Telephone (01522) 873321

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AUDIT COMMITTEE   **11 DECEMBER 2018**

SUBJECT:	**MONEY LAUNDERING POLICY**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**AUDIT MANAGER**

1.   Purpose of Report

1.1   To seek approval for the revised Anti-Money Laundering Policy.

2.   Executive Summary

2.1   The Council's Money Laundering Policy aims to ensure compliance with the law and manage risks appropriately around certain business transactions. There is a need to update the policy to reflect new regulations and provide more guidance.

3.   Background

3.1   The Council's Money Laundering Policy was put in place to meet the requirements of the Money Laundering regulations. Although Local Authorities are not legally obliged to apply Money Laundering Regulations, the Council is bound by the provisions of the Proceeds of Crime Act 2002 and the Terrorism Act 2000 (as amended by the Anti-Terrorism and Security Act 2001 and the Terrorism Act 2006 and the Counter-Terrorism Act 2008). It is good practice to comply with the main measures of the Regulations as part of corporate governance arrangements. As such this policy ensures compliance.

4.   Policy/Strategy

4.1   The policy has been updated to reflect slight changes in the regulations (2017). The Money Laundering Reporting Officer (MLRO) and deputies remain the same.

4.2   The limit on cash transactions, subject to approval, remains at £2,000. Amounts above this will be authorised by the MLRO (or deputy). Assistant Directors and Managers authorise cash transactions up to £2,000. If there is a series of large cash payments below £2,000 these are referred to the MLRO.

4.3   Additional guidance has been included to help support officers in managing transactions and understanding the reporting process.

5.   Strategic Priorities

5.1   There are no direct impacts on strategic priorities but an effective counter fraud framework, including the anti-money laundering policy can help support all priorities.

6. Organisational Impacts

6.1 Finance (including whole life costs where applicable)

There are no direct financial impacts.

6.2 Legal Implications including Procurement Rules

There are no direct legal or procurement impacts.

6.3 Equality, Diversity and Human Rights

An equality analysis has been completed for this policy and there are no issues/actions arising.

7. Risk Implications

7.1 There are no direct risk implications, other than those set out and mitigated within the policy

8. Recommendation

8.1 To consider and comment on the attached policy and recommend to Executive for approval.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	One
List of Background Papers:	None

Lead Officer:	John Scott, Audit Manager
	Telephone (01522) 873321

ANTI MONEY LAUNDERING POLICY STATEMENT AND PROCEDURES

CONTROL

Owner / Policy Lead Officer: Carolyn Wheater

Location: City Hall, Beaumont Fee, Lincoln

Consultation: Audit Committee / Executive

Date: December 2018

Review Arrangements: Every two years (Owner/Policy Lead Officer and Audit Committee)

INTRODUCTION

City of Lincoln Council is committed to prevent the Council and its employees being exposed to money laundering, to identify the risks where it may occur, and to comply with legal and regulatory requirements, especially with regard to reporting suspected cases.

Key message

The key message of this Policy is that if you suspect that money laundering activity may be taking place or proposed in relation to anything you are dealing with you should immediately disclose those suspicions to the Council's Money Laundering Reporting Officer. If the suspicion involves a proposed transaction (e.g. the sale of property or a significant cash receipt) you should not proceed with the transaction without approval from the Money Laundering Reporting Officer or the Serious Organised Crime Agency. You should defer the transaction in such a way as not to alert anyone else to your suspicions. If you believe you cannot reasonably do so, you should immediately contact the Money Laundering Reporting Officer or the Council's Monitoring Officer (see below for contact details). There are two forms to complete (Appendix A and B depending on circumstances) but in the first instance you should contact the deputy MLRO for advice.

Key points:

- o The Council is committed to the prevention, detection and reporting of money laundering

- o All employees should be vigilant for signs of money laundering

o An employee who suspects money laundering activity should report this promptly to the Money Laundering Reporting Officer **(Use form Appendix B)**

o The Council will not accept payments in cash that exceed £2,000.

Although Local Authorities are not legally obliged to apply the Money Laundering Regulations 2007 (as amended by the Money Laundering (Amendment) Regulations 2012 and updated by the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the regulations), the Council is bound by the provisions of the
The Proceeds of Crime Act 2002 and the Terrorism Act 2000 (as amended by the Anti-Terrorism and Security Act 2001 and the Terrorism Act 2006 and the Counter-Terrorism Act 2008). It is good practice to comply with the main measures of the Regulations as part of corporate governance arrangements. As such this policy ensures compliance.

The Sanctions and Anti-Money Laundering Act 2018 is also now law and enables the UK to maintain the status quo after it leaves the EU in the areas of sanctions and anti-money laundering

What is money laundering?

3.1 There are two main types of offences which may be committed:

• Money laundering offences.
• Failure to report money laundering offences.

The main types of money laundering offences are:

• Acquiring, using or possessing criminal property,
• Handling the proceeds of crimes such as theft, fraud and tax evasion,
• Being knowingly involved in any way with criminal or terrorist property,
• Entering into arrangements to facilitate laundering criminal or terrorist property
• Investing the proceeds of crime in other financial products
• Investing the proceeds of crimes through the acquisition of property/assets
• Transferring criminal property.

Money laundering is the process where criminals attempt to hide and change the true identity of the proceeds of their crime so that they appear legitimate. The various stages are termed placement, layering and integration:

- placement – 'dirty money' is placed directly into the financial system

- layering – the proceeds are then moved through a series of financial transactions, making it harder to establish their origin

- integration – the money launderer creates a legitimate explanation for the source of the funds allowing them to be retained, invested into the legitimate economy or to acquire assets

A person commits a criminal offence under the Proceeds of Crime Act 2002 by:

- Section 327: concealing, disguising, converting, transferring criminal property or removing it from the UK

- Section 328: entering into or becoming concerned in an arrangement which he/she knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person

- Section 329: acquiring, using or possessing criminal property

Criminal property is any property which is or represents benefit from criminal conduct.

Criminal conduct is any conduct constituting a criminal offence in the UK[1] and includes for example tax evasion, fraudulent expenses and benefits claims.

The money laundering offences are aimed by legislators at criminals and their associates but any person can be caught by the offences if they suspect money laundering and either become involved with it in some way or do nothing about it. It is not necessary to have benefitted in any way to be guilty of the offences.

The key requirement for Council employees is to promptly report (Sec 337 Disclosure) any suspected money laundering activity to the Council's Money Laundering Reporting Officer.

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[1] It therefore includes an act committed outside the UK but which, if it took place in the UK would be a criminal offence

While the risk to the Council of contravening the legislation is low, it is important that all employees are familiar with their responsibilities; serious criminal sanctions can be imposed for breaches of the legislation.

The Money Laundering Regulations 2017 require appropriate systems of internal control to prevent money laundering and terrorist financing. There must be management controls in place to help identify possible attempts to launder money or fund terrorism, so that appropriate action to prevent or report it can be taken.

Systems of internal control should help identify unusual or suspicious transactions or customer activity and should include:

- Identification of relevant responsibilities under this Protocol.
- Provision of information to relevant persons on suspected money laundering and terrorist financing risks.
- Training of relevant employees on the legal and regulatory responsibilities for money laundering and terrorist financing controls and measures.
- Measures to ensure that money laundering and terrorist financing risks are taken into account in the day to day operations of the organisation.

SCOPE

This Policy applies to all employees of the Council and sets out the required procedures which should be followed for reporting suspicions of money laundering activity to enable the Council to comply with its legal obligations.

This Policy is consistent with all other Council policies including the Counter Fraud Policy and the Whistle-blowing Policy.

Failure by an employee to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them.

THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

The nominated Disclosure Officer (MLRO) in the City Council is:
The Chief Executive
City of Lincoln Council
City Hall
Beaumont Fee
Lincoln
LN1 1DB
Tel: 01522 873292
E-mail: angela.andrews@lincoln.gov.uk

The authorised Deputies are:

Carolyn Wheater
City Solicitor
Telephone 01522 873323
E-mail: carolyn.wheater@Lincoln.gov.uk

Jaclyn Gibson
Chief Finance Officer Telephone 01522 873323
E-mail: jaclyn.gibson@Lincoln.gov.uk

The Legal Section is available to give advice as required.

REPORTING PROCEDURES

- **Protected Disclosure**

- Section 337 of the Proceeds of Crime Act 2000 protects employees from liability under any other legislation (e.g. Data Protection Act) when they report suspected money laundering. The conditions are that the information or other matter:

  ◆ came to his/her notice in the course of their trade, profession, business or employment and

  ◆ causes him/her to know or suspect or gives reasonable ground to know or suspect that another person is engaged in money laundering and

  ◆ the disclosure is made to a constable, a customs officer or the nominated MLRO

Any employee who knows or has reasonable grounds to suspect that any person is engaged in money laundering activity should report their suspicion immediately to the MLRO or her Deputy.

The only exception to this rule is if the employee is a professional legal adviser and the information has come to their attention in privileged circumstances in which case the employee should report the matter immediately to the City Solicitor. The City Solicitor will promptly evaluate any disclosure to determine if it should be reported to the MLRO.

When reporting to the MLRO include details of:

a. Full details of the people involved e.g. name, date of birth, address, company names, directorships, phone numbers, etc.
b. Full details of their / your involvement:
c. The types of money laundering activity involved
d. The dates of such activities
e. Whether the transactions have happened, are ongoing or are imminent
f. Where they took place
g. How they are undertaken
h. The (likely) amount of money / assets involved
i. Why, exactly, you are suspicious

You should also enclose copies of any supporting documentation.

The employee must follow any subsequent directions of the MLRO. No further enquiries into the matter or any further steps in any related transaction may be taken without authorisation from the MLRO. Under no circumstances should you voice any suspicions to the person(s) you suspect of money laundering.

The MLRO will consider the need for disclosure, based on the facts as well as any consent from NCA to any ongoing or imminent transactions. Details of any liaison with the NCA will be recorded.

The MLRO must promptly report[2] the disclosure to the National Crime Agency (NCA) via the NCA website at http://www.nationalcrimeagency.gov.uk.gov.uk/.

Proposed transactions

When a Section 337 disclosure concerns a proposed act or transaction that is a suspected offence under sections 327 – 329, anyone, knowing or suspecting money laundering who is then involved in the act or transaction is guilty of the same criminal offence unless:

◆ He / She has made a Section 337 Disclosure and

◆ appropriate consent has been given

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[2] It is a Criminal Offence - Section 332 – for the MLRO to fail to disclose to NCA unless he / she has a reasonable excuse for not doing so. A preliminary evaluation which establishes that money laundering is not or has not taken place is a reasonable excuse.

After the MLRO has made the disclosure to NCA, they will inform within 7 days if appropriate consent is given for the act or transaction to proceed. If after 7 days NCA do not contact the MLRO, appropriate consent is deemed to be given.

All instructions from NCA (or relevant law enforcement agency) issued at any time following a Section 337 Disclosure must be followed.

Prejudicing an Investigation

A Section 337 disclosure is strictly confidential. There must be no disclosure or other indication to the person suspected of money laundering. The matter must not be discussed with anyone else or any action taken that may jeopardise confidentiality that a report has been made to the MLRO. Notes must not be made on client files or records that a disclosure has been made.

Any documentation or evidence concerned with the disclosure should be retained in original form for any subsequent money laundering investigation.

Failure to comply with these requirements could amount to a criminal offence of Prejudicing an Investigation. Section 342 – if a person:

- makes a disclosure (to any other person) likely to prejudice the investigation

- falsifies, conceals, destroys or otherwise disposes of or permits the falsification, concealment, destruction or disposal of documents which are relevant to the investigation

If any disciplinary action is proposed HR must be informed.

GENERAL PROCEDURES

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Cash payments

No payment to the Council will be accepted in cash if it exceeds £2,000. Cash is defined as including notes, coins or travellers' cheques in any currency. If officers wish to accept amounts greater than this, then prior approval is required from the MLRO or Deputy. A standard form must be completed. (Form attached Appendix A)

- Cash payments between £1,000 and £2,000 can be accepted through the relevant Assistant Director or Manager. Officers should be satisfied as to the identity of the individual concerned. Be vigilant to any regular cash payments of this size which together exceed £2,000.

- **Identification of new Clients**

Employees should be wary of situations where funds flow through the authority from sources with which it is not familiar. Where the authority is forming a new business relationship and/or is considering undertaking a significant one off transaction with a new client, evidence of the identity of the prospective client should be obtained before proceeding.

It is good practice to have either:

- ◆ one government document which verifies either name and address or name and date of birth or

- ◆ a government document which verifies their full name and another supporting document which verifies their name and either their date of birth or address

Where it is not possible to obtain such documents consider the reliability of other sources and the risks associated with the client.

Where the new client is not present or a third party is acting in their absence, additional evidence of identity should be sought to verify the client's credentials.

Additional due diligence requirements for Finance and Legal employees.

In addition to the disclosure procedure referred to above, those employees providing certain financial and legal services (i.e. "relevant business") must also comply with the customer identification procedure, 'due diligence' and the record keeping procedures.

Where a client transaction is being processed through a third party legal or financial firm, the Council can place reliance on that firms due diligence procedures in relation to money laundering. The Council will need to undertake the appropriate client identification procedure. For example you may rely on due diligence undertaken by those regulated by the FSA or supervised by a listed professional regulator e.g. the Solicitors Regulation Authority.

There are various levels of 'due diligence'

The 2017 Regulations require due diligence to be carried out on a risk sensitive basis, so that:

- 'Simplified due diligence' is required where there is a low risk of money laundering. For example if a company is listed on the stock exchange a company search and evidence of the listing would suffice.
- 'Enhanced due diligence' for those with a high-risk status, for example remote transactions where the customer is not physically present to be identified would require additional appropriate documents to be requested.
- The 'beneficial owner', the individual that ultimately owns or controls the customer or on whose behalf a transaction or activity is being conducted, should be identified.
- The business relationship should be scrutinised throughout its existence and not just at the beginning.

You may rely on due diligence undertaken by those regulated by the FSA or supervised by a listed professional regulator e.g. the Solicitors Regulation Authority. Any information obtained may be used as evidence in any subsequent investigation by the relevant enforcement authorities into money laundering. In all cases, evidence of the customer identification and record of the relationship/transaction should be retained for at least five years from the end of the business relationship of transaction(s). The records that must be kept are:

- A copy of, or references to, the evidence of the identity obtained under the customer due diligence requirements in the Regulations,
- The supporting evidence and records in respect of the business relationships and occasional transactions which are the subject of customer due diligence measures or ongoing monitoring,
- A copy of the identification documents accepted and verification evidence obtained,
- References to the evidence of identity,
- Transaction and business relationship records should be maintained in a form from which a satisfactory audit trail may be compiled, and which may establish a financial profile of any suspect account or customer.

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.

The customer identification procedure **must** be carried out when the Council is carrying out 'relevant business' and:

- Forms a business partnership with a customer,

- Undertakes a one-off transaction (including a property transaction or payment of a debt) involving payment by or to a customer of 15,000 Euro (approximately £12,000) or more,
- Undertakes a series of linked one-off transactions involving total payment by or to the customer(s) of 15,000 Euro (approximately £12,000) or more,
- It is known or suspected that a one-off transaction, or a series of them, involves money laundering.

"Relevant business" is mainly financial, company and property transactions carried out by Legal Services and certain transactions made by Finance. However, the most effective way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council.

This must be completed before any business is undertaken for that customer in relation to accountancy, procurement, audit and legal services with a financial or real estate transaction.

In the above circumstances, employees must:

- Identify the person seeking to form the business relationship or conduct the transaction (an individual or company),
- Verify their identity using reliable, independent sources of information,
- Identify who benefits from the transaction,
- Monitor transactions to make sure they are consistent with what you understand about that person or country
- Understand the source of their funds,
- Ensure there is a logical reason why they would want to do business with the Council.

This applies to existing customers, as well as new ones, but identification evidence is not required for matters entered into prior to 1 March 2004

In relation to external bodies the MLRO will maintain a central file of general client identification evidence regarding the external organisations to which Finance and Legal Services provide professional services.

Possible signs of Money Laundering

It is not possible to give a prescriptive guide to spot money laundering but the following signs might raise concern:

- concerns about honesty, integrity, identity or location of the client
- secretive e.g. refuses to provide information without a reasonable explanation
- attempt Payment of substantial sum of cash (see limits)
- Payment of lower cash sums where cash is not the normal means of payment,
- transaction which appears uneconomic, inefficient or irrational

- illogical third party transactions – unnecessary routing of funds from third parties or through third party accounts
- illogical involvement of unconnected third party

- funds received prior to completion from an unexpected source
- instructions for settlement payments to an unexpected source
- significant overpayments and subsequent request for refund
- refunds following the cancellation or reversal of an earlier transaction
- no obvious legitimate source of funds
- unusual request for client account details
- poor business records or internal accounting controls
- In respect of property transactions, i.e. where we receive a payment in for a property, money should only be accepted from a conveyancers/ solicitors bank account and not from persons directly.
- However, this does not include payment of legal fees, which can be received directly from an individual.
- Movement of funds overseas, particularly to a higher risk country or tax haven,
- Unusual transactions or ways of conducting business, without reasonable explanation,
- Requests for release of customer account details other than in the normal course of business,
- Transactions at substantially above or below fair market values,
- Poor business records or internal accounting controls,
- A previous transaction for the same customer which has been, or should have been, reported to the MLRO,
- Lack of 'traceability' of persons involved,
- Individuals and companies that are insolvent yet have funds.

GUIDANCE AND TRAINING

In support of the policy and procedure, the Council aims to:

- make all employees aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation and

- give training to those most likely to encounter money laundering.

- provide specific due diligence guidance

- provide guidance relating to the consideration of disclosure by the MLRO

FURTHER INFORMATION

Further information can be obtained from the MLRO and the following sources:

- www.nationalcrimeagency.gov.uk
- "Combating Financial Crime" – CIPFA
- www.opsi.gov.uk (Home Office) –Money Laundering Regulations 2007 (as amended by the Money Laundering (Amendment) Regulations 2012) The Proceeds of Crime Act 2002 (as amended by the Serious Organised Crime and Police Act 2005) and the Terrorism Act 2000 (As amended by the anti-terrorism, crime and security Act 2001)

APPENDIX A
Anti-Money Laundering
Approval form – cash payments in excess of £2000

Name and address of person attending City Hall.	
Date attending	
Name and address of person the payment relates to (and account numbers)	
Payment value £	
Purpose of payment	
Reason for cash payment	
I confirm that relevant identification checks have been completed	Officer Name Yes/No
Approval sought from the MLRO (or deputy)	Yes/No
Name (MLRO)	
Date	
Agreed / Not agreed (delete as applicable)	

Copy to be retained in Directorate and copy to Carolyn Wheater

APPENDIX B

CONFIDENTIAL

Report to Money Laundering Reporting Officer **re money laundering**

Reporting Officer

From: ………………………………………
[insert name of employee]

Directorate: Ext/Tel No:

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:
[if a company/public body please include details of nature of business]

Nature, whereabouts, value and timing of activity/property involved:
[Please include full details eg what, when, where, how. Please also include details of current whereabouts of the laundered property, so far as you are aware. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:
[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)?
[Please circle]
Yes / No

If yes, please include details below:

Have you discussed your suspicions with anyone else?
[Please circle]
Yes /No

If yes, please specify below, explaining why such discussion was necessary:

Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society) *[Please circle]*
Yes/ No

If yes, please specify below:

Do you feel you have a reasonable excuse for not disclosing the matter to SOCA? (e.g. are you a lawyer and wish to claim legal professional privilege?) *[Please circle]*

Yes/No

If yes, please set out full details below:

Are you involved in a transaction which might be a prohibited act (under sections 327- 329 of the 2002 Act or section 18 of the 2000 Act) and which requires appropriate consent from SOCA?
[Please circle]

Yes/No

If yes, please enclose details below:

Please set out below any other information you feel is relevant:

Signed:……………………………………… **Dated**:…………………………………

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received:………………………………………………

Date receipt of report acknowledged:

……………………………….

CONSIDERATION OF DISCLOSURE:
Action plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity?

Do you know the identity of the alleged money launderer or the whereabouts of the property concerned?

If there are reasonable grounds for suspicion, will a report be **made to SOCA?**
[Please circle]

Yes / No

If yes, please confirm date of report to SOCA:

………………………………

and complete the points below:

Details of liaison with SOCA regarding the report:

**Notice Period: ….…………………….. to …………………….. **

Moratorium Period: …………………….. to ………………….…

Is consent required from SOCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

Yes/No

If yes, please confirm full details below

Date consent received from SOCA:……………………………..

Date consent given by you to employee:………………………

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to SOCA, please set out below the reason(s) for nondisclosure:
[Please set out any reasonable excuse for non-disclosure]

Date consent given by you to employee for any prohibited act transactions to proceed:

Other relevant information:

End

AUDIT COMMITTEE   **11 DECEMBER 2018**

SUBJECT:	**COUNTER FRAUD STRATEGY**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**AUDIT MANAGER**

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1.   **Purpose of Report**

1.1   To review and seek approval for the revised Counter Fraud and Anti-Corruption policy/strategy.

2.   Executive Summary

2.1   The Council's counter fraud policy/strategy was updated in 2016 to reflect the latest guidance from CIPFA (Chartered Institute for Public Finance and Accountancy) and DCLG (Department for Communities and Local Government).

2.2   This 2018 review ensures the strategy is up to date and also updates the action plan.

3.   Background

3.1   There have been changes and new initiatives linked to counter fraud over recent years, including the transfer of Council investigation staff to the DWP (Department for work and pensions). With pressure on resources the Council took the opportunity to bid for additional funding with partners and was successful with other Lincolnshire Authorities and a Lincolnshire Counter Fraud partnership was created to help develop and implement counter fraud projects. This continues until at least March 2019. The Audit Committee receives six monthly counter fraud update reports. The updated policy / strategy reflects any recent changes and ensures that best practice is included. The action plan focusses on core areas and we will be working to implement these over the coming months.

4.   Policy/Strategy

4.1   Within the strategy the key policy statement remains the same; roles and responsibilities have been updated; there are sections on fraud risk, resources, workplan, benchmarking and partnerships, communication, training, compliance, use of technology.

4.2   A fraud work plan is included (Annex A). This mainly covers areas linked to the strategy. There are also actions held within the fraud risk register (Annex B) and there is a separate Lincolnshire Counter Fraud Partnership workplan (18/19) which is reported separately to Audit Committee.

4.3   The policy/strategy does reflect the limited resources available to the Council and

risks/actions aim to maximise efficiency and effectiveness where possible.

5. Strategic Priorities

5.1 There are no direct impacts on strategic priorities but an effective counter fraud framework can help support all priorities.

6. Organisational Impacts

6.1 Finance (including whole life costs where applicable)

There are no direct financial impacts.

6.2 Legal Implications including Procurement Rules

There are no direct legal or procurement impacts.

6.3 Equality, Diversity and Human Rights

An equality analysis would be undertaken for individual policies as they are introduced or updated which are linked to this strategy.

7. Risk Implications

7.1 There is limited capacity in the organisation in some areas to support counter fraud activities however we continue to make the best use of our resources including working with local partners to maximise combined resources. In addition where there are opportunities for additional funding, this may be directed at training and / or new resources to investigate fraud; the Council aims to maintain focus on counter fraud. The Council has been successful with partners in securing dedicated one –off fraud related funds and will continue to seek additional funding when and if it becomes available.

8. Recommendation

8.1 To consider and comment on the attached policy/strategy and recommend to Executive for approval

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	Two (Annex A and B)

List of Background Papers: None

Lead Officer: John Scott, Audit Manager
                                               Telephone (01522) 873321

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COUNTER FRAUD and ANTI-CORRUPTION POLICY/STRATEGY AND FRAUD RESPONSE PLAN (ANNEX A)

CONTROL

Owner / Policy Lead Officer: Chief Finance Officer / Audit Manager

Location: City Hall, Beaumont Fee, Lincoln

Consultation: Audit Committee / Executive

Date: December 2018

Review Arrangements: Every two years (Owner/Policy Lead Officer and Audit Committee)

INTRODUCTION

Fraud affects the UK across all sectors and causes significant harm.

The City of Lincoln Council takes a zero tolerance stance to all forms of fraud, corruption and theft, both from within the Authority and from external sources. We recognise fraud can impact on our organisational and strategic objectives and:

- undermine the standards of public service that the Council is attempting to achieve
- reduce the level of resources and services available for the residents of Lincoln
- result in major consequences which reduce public confidence in the Council

The Council's Policy Statement:

The Council is opposed to any form of fraud or malpractice. The Council is committed to operating in an open and honest way in order to:-

- ***Prevent , deter and detect fraud and malpractice;***
- ***Allow scrutiny and investigation to take place, both internally and externally***
- ***Allow rigorous enforcement to take place; and***
- ***Reinforce good practice and prevent reoccurrence***

This policy is supported by elected members, the chief executive, directors, chief finance officer, city solicitor and assistant directors. The aim is to ensure that we have a clear counter fraud and corruption culture, which is part of daily business which links to prevention, detection, deterrence, investigation, sanctions and redress.

A key element is also having sound whistleblowing arrangements to communicate how to report fraud and corruption and creating an environment in which reports can be made without fear or recrimination.

We recognise that collaboration and coordination is an effective way to fight fraud and corruption; we already work in partnership in several areas and aim to continue using this approach.

Communication is key to publicise initiatives, issue fraud warnings and also celebrate successes.

We need an honest appraisal of our local fraud risks and the resources required to tackle them together with the support of national agencies or neighbouring authorities. Measuring potential and actual losses helps to understand the scope of the challenge, the response required and measuring performance. And in our fast changing local authority landscape we should scan the horizon for emerging risks and ensure that we have appropriate intelligence.

Where possible, we will pursue opportunities to invest in counter fraud and corruption activity where appropriate, in order to generate savings by preventing fraud and recovering losses. We have a duty to protect the public purse, and the services we provide, and therefore we will ensure that counter fraud activity is proportionate to the risks involved.

We have assessed our fraud risks and ensured that as far as possible controls are in place to prevent fraud. We recognise that it is nearly always more cost-effective to prevent fraud than suffer the losses and investigate after the event.   We recognise that technology to help prevent and detect fraud is becoming more available and cost effective and we will continue to evaluate its use.

Where fraud is detected, we aim to recover losses and penalties and we make use of the most appropriate method of collection.

Resources available for the Council are reducing and we need to ensure that we have the right level of staff with the right skills, using technology as appropriate and to focus on the key risk areas. We need to generate economies of scale through collaboration. Sharing information and resources can help mitigate risks so that the response is proportionate; it can also ensure properly skilled and equipped staff are used.   By working across boundaries local authorities are better placed to prevent and detect fraudulent activity. Where fraud types are often changing and staff move roles it's important to keep resources up to date and ensure that the response remains proportionate to the threat. Those working in counter fraud must have a common set of standards to work to, proper training and a clear understanding of the counter fraud picture.

This policy takes into account the risks and responses at national level as well as local level and recognises that serious and organised crime can affect local authorities as well as other organisations.

Fraud Descriptions

FRAUD is a deception which is deliberate and intended to provide a direct or indirect personal gain. The term "fraud" can include criminal deception, forgery, blackmail, corruption, theft conspiracy or the covering up of material facts and collusion. By using deception a fraudster can obtain an advantage, avoid an obligation or cause loss to another party. The Fraud Act 2006 has three criminal offences:

- False representation
- Failure to disclose information
- Abuse of position

CORRUPTION is the deliberate misuse of your position for direct or indirect personal gain. Corruption includes offering, giving, requesting or accepting a bribe or reward, which influences your actions or the actions of someone else.

THEFT is where someone steals cash or other property. A person is guilty of theft if he or she dishonestly takes property belonging to someone else and has no intention of returning it.

We are committed to the highest possible standards of openness, probity, honesty, integrity and accountability. We expect all staff, councillors and partners to apply these standards which are included within our Codes of Conduct, and supported by the Council's values. This helps to support enhanced awareness and mitigation of fraud and corruption risks.

We will seek to deter and prevent fraud, corruption and theft to ensure that all risks in these areas are reduced to the lowest possible level. Where we suspect or detect fraud, corruption or theft we will thoroughly investigate and deal with any proven fraud in a consistent and balanced way. We will apply appropriate sanctions against those committing fraud and will attempt to recover all losses.

SCOPE

This Policy applies to

- All City Council employees and Councillors
- Staff and Committee members of council funded organisations
- The City Council's partners
- The City Council's suppliers, contractors and consultants
- City of Lincoln residents, businesses and other stakeholders/third parties

AIMS AND OBJECTIVES

We aim to:

- Reduce fraud and loss to an absolute minimum
- Protect the Council's valuable resources and reputation by ensuring they are not lost through fraud but are used for improved services to Lincoln residents
- Create a Counter Fraud culture which in beating fraud and corruption is part of daily business and highlights the Council's zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone – the public, staff , managers and policy makers
- Provide the best counter fraud service which will
    - Proactively deter , prevent and detect fraud , corruption and theft
    - Investigate suspected or detected fraud, corruption of theft
    - Enable the Council to apply appropriate sanctions and recover all losses
    - Provide recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.

Effective counter fraud and anti-corruption arrangements are part of good governance and the wider governance framework of the Council (the Council's "Code of Corporate Governance). The Council recognises the importance of developing a culture that is resilient to these threats.

Where possible, we will look at opportunities to improve resilience and also achieve financial savings from fraud work.

A number of specific measures have been set to measure counter fraud the outcomes and these are included at Annex A

PRINCIPLES

We will not tolerate abuse of our services or resources and have high expectations of propriety, integrity and accountability from all parties identified within this policy.

We will ensure that the resources dedicated to our Counter Fraud activities are sufficient and those involved are trained to deliver a professional counter fraud service to the highest standards.

Fraud is a crime and will result in disciplinary, legal and / or criminal action against the individual (s) concerned. We will ensure consistency, fairness and objectivity in all our investigation work – everyone will be treated equally. There is an agreed referral process to the Police which is included later in this document.

We want everyone to report any genuine suspicions of fraudulent activity. However we will not tolerate malicious or vexatious allegations or those motivated by personal gain and if proven, we may take disciplinary or legal action.

We will work with our partners (e.g. the police, district and county councils, government departments, external auditors and other investigation bodies) to strengthen and continuously improve our arrangements to counter fraud and corruption. This includes considering applications for fraud funding when and if this becomes available.

RESPONSIBILITIES

RESPONSIBILITIES	SPECIFIC RESPONSIBILITIES
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption
City Solicitor	To advise Councillors and Officers on ethical issues, standards and powers to ensure the Council operates within the law and statutory Codes of Practice. To adopt responsibilities set out in relevant counter fraud policies. To liaise with officers responsible for Counter fraud delivery
Chief Finance Officer	The Chief Finance Officer will be the accountable person to lead the organisation's approach and implement the policy. The CFO will work closely with the Chief Executive, CMT and Assistant Directors, City Solicitor as well as Internal Audit and partners to ensure the Council has adequately resourced and effective counter fraud arrangements. The CFO will monitor the risk register and fraud work plan with AD group
CMT (Corporate Management Team	CMT collectively own and support the Counter fraud policy and have a responsibility to help improve awareness and promote appropriate behaviours. CMT will review the fraud risk register alongside the strategic risk register at least annually or on a six monthly basis (by exception). CMT will periodically review fraud outcomes, fraud work plan and resources. CMT will review and approve any changes to the Counter fraud policy.
Audit Committee	To monitor the Council's counter fraud and corruption policies / strategies and consider the effectiveness of the whistle blowing and counter fraud and corruption arrangements including

	reviewing and monitoring the counter fraud work plan and actions. The Audit Committee will receive a half year and annual report
Human Resources	Are responsible for providing advice in cases involving disciplinary investigations and disciplinary action
Ethics and Engagement Committee	Promoting and maintaining high standards of conduct by elected Members and co-opted Members
Councillors	To support and promote the development of a strong counter fraud culture
External Audit	The external auditor has a responsibility to review the authority's arrangements to prevent and detect fraud and corruption and seek appropriate assurances
Internal Audit	To assist in the development and implementation of the Counter Fraud Policy and fraud risk assessment; investigate cases of suspected fraud where appropriate. To consider fraud risk and to make recommendations to improve controls and reduce the risk of fraud in the future. To participate in counter fraud partnerships. The Assurance Lincolnshire partnership provides access to a dedicated counter fraud team.
Assistant Directors, Managers, Team Leaders	AD group will monitor the policy/strategy, fraud risk register (six monthly), and action plan with the CFO AD's and Service managers will promote staff awareness, refer all suspected fraud and apply the policy of zero tolerance (the opposition to any form of fraud or malpractice). They will assess the risk of fraud, corruption and theft in their service areas, help maintain the corporate fraud risk register, and reduce these risks by implementing strong internal controls. They will take ownership of actions within their service area.
Employees	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption, theft and to report any genuine concerns
Lincolnshire County Finance Officer Group	
	This group has a role in working together on counter fraud and considering initiatives linked to

specific fraud risks; it also acts as a liaison point for the LCFP

Lincolnshire Counter Fraud Partnership (LCFP)

The LCFP is a partnership involving all the 8 Councils of Lincolnshire. It helps co-ordinate counter fraud projects, identify risks and improve awareness and training.

APPROACH TO COUNTERING FRAUD

We will fulfil our responsibility to reduce fraud and protect our resources by completing work in each of the following areas

DETERRANCE	*We will promote and develop a strong counter fraud culture, raise awareness and provide information on all aspects of our counter fraud work. This will include publicising the results of all proactive work and fraud investigations*
PREVENTION	*We will strengthen measures to prevent fraud – we will work with managers and policy makers to ensure new and existing systems and policy initiatives are adequately protected against fraud.*
DETECTION	*We will continuously assess those areas most vulnerable to the risk of fraud. These risk assessments will inform fraud work plans. A Corporate fraud risk register will be maintained. Internal audit, management and third parties will carry out work in high risk areas* *We will regularly review (and if necessary improve) our whistleblowing / fraud reporting arrangements and ensure that this is in the work plan.*
INVESTIGATION	*Appropriately trained investigators will investigate any fraud detected Investigation may be undertaken by Internal Audit, management or third parties.* *Policies are in place to ensure that investigation staff are able to access the required information (which is proportionate and necessary)* *Appropriate access rights are in place covering outsourced activities, shared services and partnership arrangements.* *Investigations will comply with appropriate regulations and procedures.*

SANCTIONS	*We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal, criminal and disciplinary action where appropriate* *Sanctions and redress will vary between fraud risk areas and respective policies. The "Further information" section below provides more details of current policies and strategies.*
REDRESS	*A crucial element of our response to tackling fraud is recovering any money lost through fraud – this is an important part of our strategy and will be rigorously pursued where appropriate* *We may recover expenses incurred in the cost of the investigation as well as any direct loss. For significant risk areas this will be set out in policy (see further information)*

FRAUD RISK

There are a number of specific fraud and corruption threats faced by the Council. Further details are included in Appendix B – Fraud Risks, which is supported by a separate fraud risk register. The purpose of the register is to capture key fraud risks and ensure that these are adequately controlled.

Fraud loss estimates (local and national) are used to help assess the risk of fraud where these are available. The impact (the "harm") caused by fraud is included.

Mitigation actions which are relevant to reduce the risk level are included within the register. These include internal control measures which will be used to prevent fraud occurring or aid early detection.

The fraud risk register will be reviewed and monitored by CMT (at least annually) and six monthly by exception alongside the Strategic risk register; although detailed monitoring will take place by the CFO and AD group. This will include monitoring any actions in response to the risks of fraud and corruption.

Where there are significant or increasing fraud risks these will be brought to the attention of management.

Service Managers will also be reminded to escalate fraud risk concerns to their Assistant Director and CFO where appropriate and discuss mitigation.

Fraud risk assessment will be undertaken for significant new operations or changes in processes.

The fraud risk register will be submitted to the Audit Committee alongside the annual counter fraud report. Progress on actions will be reported six monthly.

RESOURCES AND WORKPLAN

We need to deploy the right level of resources to deal with the fraud risk.

Resources are already required to

> Facilitate the ColC/DWP/SFIS partnerships
> Manage and investigate NFI
> Liaison with the LCFP and linked projects
> Implementing the tenancy fraud strategy
> Assessing and managing fraud risks
> Investigating ad hoc fraud cases
> Monitor whistleblowing cases
> Develop and deliver fraud training
> Receive and communicate current fraud risks/threats

There are a number of actions arising from this policy /strategy which will be included within a fraud work plan. The work plan will be owned by the Chief Finance Officer, and managed together with AD group; it will be monitored also through the Audit Committee.   The work plan will set out required pro-active and re-active work. This will depend upon available resources and the cost/benefit of any action/project.

The work plan will reflect any gaps in best practice, will support the counter fraud policy/strategy and reflect emerging risks and opportunities. The work plan is a live document and will be updated as required.

The work plan will identity resources, skills and experience required (and available) to achieve the agreed actions. These may or may not be available from internal resources.

BENCHMARKING AND PARTNERSHIPS

The Council will participate in County wide (and other) partnerships where these can add value to existing arrangements, such as the Lincolnshire Counter Fraud Partnership. To help evaluate the experience of fraud and effectiveness of fraud risk management the council will participate in comparative or benchmarking activities (e.g. CIPFA / County wide / LCFP)

The County Finance Officers group has a role in reviewing proposed fraud projects, particularly those which involve collaboration across the different Councils of Lincolnshire.

Other current partnerships include DWP/SFIS for housing benefit

The Council will aim to benchmark fraud resources, with the LCFP, which supports counter fraud activity and the work plan.

Where there are counter fraud activities conducted collaboratively or where there is sharing of fraud resources, these arrangements will be set out in appropriate agreements in terms of the arrangements and responsibilities

The Council also aims to ensure that its counter fraud arrangements meet best practice – from CIPFA and the Government – the Council will seek support of LCFP to help review its self-assessment.

COMMUNICATION

Communications will encompass all the areas above from deterrence through to sanctions and redress. This involves raising awareness, deterring fraudsters, sharing information and celebrating success.

The potential harm from fraud will be effectively communicated to stakeholders.

The work plan will set out how the Council will publicise anti-fraud and anti-corruption activities to its staff, contractors and customers including its commitment to tackle fraud and corruption and the outcomes of successful cases.

TRAINING

It is important to have the right skills and standards to address the fraud risks identified and to investigate and conduct investigations. The work plan will identify any skills training required. There are resource limitations (for example accredited investigators) and options will need to be considered where they are required.

We recognise that awareness training is appropriate for all staff and members and will be delivered. Counter fraud awareness is part of the wider training requirements covering ethical conduct.

COMPLIANCE WITH LEGISLATION, REGULATION, PROCEDURES

All relevant legislation and other requirements will be adhered to as part of any counter fraud work
This will include:

- Data matching
- NFI
- Information sharing
- RIPA

When undertaking data matching appropriate data protection notices and data sharing protocols are put in place in accordance with agreed protocols.

USE OF TECHNOLOGY

The Council uses and will explore the further use of technology to prevent and detect fraud. This includes data sharing, for example through the NFI (National Fraud Initiative).

Local authorities can use new technology to prevent fraud, for example checking identity, official documents. Exploring the investment in technology that assists in preventing fraud and corruption will be a key part of this strategy and work plan.

Data analytics, the availability of and use of third party data, channel shift and data hubs offer an opportunity to work differently in future.

OUTCOMES

Investigation itself does not represent the outcomes of counter fraud work. We recognise that by preventing fraud we will reduce losses and the delivery of our counter fraud work plan will improve overall outcomes and achieve the aims and objectives of the policy. We will measure the effectiveness of our counter fraud arrangements by focussing on such outcomes as;

- High levels of fraud awareness
- Zero tolerance to fraud (number of referrals / ensuring suspicions reported and action taken)
- Reduced losses (a low incidence of fraud)
- Delivery of pro-active counter fraud work (work plan)
- Reducing the risk of fraud
- Successful prosecutions, other sanctions and recovery of losses Successfully engagement with partners

We will monitor these outcomes and using a range of measures (to be developed) and will report to the Council's Audit Committee every six months.

There are number of fraud areas where we will capture statistical information This is attached at Annex C.

WHISTLEBLOWING, FRAUD REPORTING, ADVICE AND SUPPORT

The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing a comprehensive, management-led, anti-fraud and corruption culture needs to be maintained, including clear whistleblowing and fraud reporting arrangements. Arrangements should meet best practice – BSI, Public Concern at Work for whistleblowing.

These arrangements should ensure that staff and the public have access to fraud and corruption whistle-blowing communications channels such as a helpline, and should be kept under review.

RISKS TO THE POLICY

There is limited capacity in the organisation in some areas to support counter fraud activities due to the focus being on other priorities, such as maintaining key services and meeting budget savings.

Investigators have transferred to DWP – SFIS and there are limited budgets to train staff post SFIS. Some authorities retained skilled investigators and we will work with local partners to make the best use of our combined resources. Where there are opportunities for additional funding, this may be directed at training and / or new resources to investigate fraud.

By updating the fraud risk register, developing a new work plan and seeking support of partners through the LCFP, the Council aims to maintain focus on counter fraud. The Council has been successful with partners in securing dedicated one –off fraud related funds and will continue to seek additional funding when and if it becomes available.

FURTHER INFORMATION

Information is available on the Council's website covering:

List of Council Fraud Related Policies and Guidance

- Counter Fraud and anti-corruption policy/strategy (this policy)
- Anti-Money laundering policy
- Anti-Bribery policy
- Benefit fraud, sanctions and prosecutions policy
- RIPA policy
- Whistleblowing policy
- Tenancy Fraud Strategy
- Fraud risk register
- Fraud awareness course (City People/Netconsent)

Further information and guidance:

- Website - fraud information page
- Counter fraud leaflet
- Financial and contract procedures
- Codes of conduct
- Gifts and hospitality register
- Register of interests
- IT security policy
- Data protection policy
- Data transparency

Crime Prevention Organisations and Partnerships:

National Crime Agency (NCA) leads work against serious and organised crime. Regional Organised Crime Units provide high end specialist capability, including regional fraud teams to local forces tackling the threat from serious and organised crime in their region. Organised crime can affect local authorities including money laundering, identity crime, intellectual property crime and theft of assets.

Action fraud is the national reporting point for fraud and cyber-crime. As of April 2014 both Action fraud and the NFIB are run by the City of London Police.

There are regular local Police liaison meetings between senior Council officers and senior Police Officers.

There are links to the local economic crime unit.

Counter Fraud Good Practice:

- The local government counter fraud and corruption strategy 2016-2019
- CIPFA Code of Practice on managing the Risk of fraud and corruption

The Transparency Code

DCLG published the transparency code to strengthen transparency within local government. The Code legally requires local authorities to publish annually details of their counter fraud work. Key areas cover employees, amount spend and number of fraud cases.

FRAUD RESPONSE PLAN

Referral and Investigation

Note that there is a separate response process and policy linked to the fraud response for housing benefit, council tax support
In accordance with its objective of deterring fraud and dishonesty, the Council will pursue any remedies at its disposal, including prosecuting and recovering its losses from those responsible, and (in the case of employees) taking disciplinary action.

Where there are fraud concerns identified (or reasonable grounds for believing that a criminal offence has been committed), whether by a Councillor, employee or member of the public, the matter will (usually) initially be investigated and assessed by the Council's Internal Audit Section. If there is insufficient evidence to proceed a record of the decision will be made and appropriate feedback provided to the referrer.

Where there is believed to be sufficient evidence to proceed, a strategy meeting will be held with the Chief Finance Officer, the relevant Director (or Assistant Director), City Solicitor or Legal Services Manager, Human Resources Manager. Consultation will of course depend on the nature and scope of the case. Internal Audit will present its findings.

The purpose of the strategy meeting will be to identify the type of investigation required:

a)   Management investigation
b)   Internal Audit investigation
c)   Police investigation

Officers will be clear, open, consistent and action taken will be proportionate. When deciding whether to refer a matter to the Police, or consider other sanctions, officers will make a decision at the most appropriate time using the best available information. It is possible that a Management or Audit investigation could run concurrently with a Police investigation.

Where the fraud is proven the matter will be taken forward by the Police for prosecution.

Where the fraud is proven there will be a management decision whether to try and recover losses, and whether disciplinary action is appropriate.

Where matters are referred to the Police, Council officers having any involvement in it will be expected to give the police their full co-operation, and must take care not to do anything to prejudice the investigation.

On completion of their investigations, the Police and/or the Crown Prosecution Service will decide whether or not to prosecute, having regard to the Code for Crown Prosecutors.

The Code lays down a two stage test. The first stage is to consider whether there is sufficient evidence to prove the offence beyond reasonable doubt. The second stage is to consider whether a prosecution would be in the public interest.

Recovery of Losses

Wherever possible, the Council will take any steps it can to recover any losses resulting from fraud or dishonesty from those responsible. This may include asking the Police to apply for a compensation order, where the person responsible is prosecuted, taking proceedings in the civil courts, deducting any losses from sums owing to the person responsible, so far as the law allows. Investigation costs may be added.

We will recover any overpayments in relation to employees.

Top Tips

Don't delay – report the matter quickly	Do – write down your suspicions
Don't alert, approach or accuse individuals	Do – keep any evidence safe
Don't tell other people about your concerns	Do – tell us who you are
Don't – investigate yourself	Do – keep calm

Further details and information of safeguarding your confidentiality can be found in the Council's whistle blowing policy

The fraud response plan is attached as a flowchart at Annex A

Appendix A
City of Lincoln Council
FRAUD RESPONSE PLAN
Flowchart

Fraud Concern Identified

Report (Reporting options)

Whistleblowing mechanism

Line Manager (or senior manager, if line manager involved)

Internal Audit

Initial Assessment of Evidence by IA

NO

Sufficient to proceed?

Yes

Record of Decision

Strategy meeting (CFO, Director / Asst Director, HR, Legal (IA present to provide evidence)

Feedback to Referer

Management Investigation

Internal Audit Investigation

Police Investigation

Outcome report.

No

Fraud proven?

Yes

Prosecution

Managem ent action

No case to answer

Yes

Management / HR Decision

Recovery of losses

Disciplinary Appeal

Disciplinary hearing

Go to Disciplinary Hearing

Appendix B

Fraud Risks

Fraud risk categories

- Contracting /contract management
- Procurement
- Payments
- Income Collection
- Debt management
- Money laundering
- BACS /Cheque fraud
- Payroll / employees
- Treasury management / investment fraud
- Property / land/ equipment
- Grants - Housing and Economic Support / Third Sector
- False accounting
- IT / Data
- Insurance
- Council Tax
- Housing
- Business rates
- Council Tax Support Scheme
- Housing Benefit
- Development Management
- Theft/Asset mis-use
- Refund fraud
- Election fraud

Appendix C

Fraud Areas subject to monitoring (six monthly / annual report) – number of cases, value of fraud

- Procurement
- Insurance Claims
- Investments
- Economic & Voluntary Sector Support
- Debt
- Expenses
- Payroll
- Recruitment
- Pensions
- Mandate Fraud
- Manipulation of Data(financial and non-financial)
- Other Fraud
- No Recourse to Public Funds
- Ctax CTR
- Ctax SPD
- Ctax other
- Business rates
- Housing benefit
- Housing right to buy
- Housing sub letting
- Housing other

Transparency Data

- Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 201432, or similar powers

- Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud

- Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists

- Total amount spent by the authority on the investigation and prosecution of fraud

- Total number of fraud cases investigated

Appendix D

Work plan 2018-20

		ColC Counter Fraud Work plan			
	Ref	Action	Priority Resources Skills	By When	Who
	1	Update Counter Fraud policy/strategy	High	December 2018	Audit Committee
	2	Ensure all counter fraud policies are appropriate and up to date	Medium	As required Every Two years	CFO Audit Committee Exec
	3	Update fraud risk register Implement the actions within the Counter Fraud Risk Register	High High	December 2018 See Risks	Audit Committee
	4	Complete fraud e-learning training for Officers and members. New starters	High	Mar 19	
	5	Communication Communicate strategy Review existing publications and publicity to determine any changes /improvements • Website • Publicity to stakeholders • Successful cases - Media	Medium Medium	Mar 19 Mar 2019	CFO/ AD's AM CFO LCFP

6	Projects linked to the Lincolnshire Counter Fraud partnership EG Deliver projects* around: SPD CTS Housing Tenancy *See full work programme	High Medium	As per LCFP work programme Mar 17	LCFP Managers LCFP
7	Prepare for 2018 NFI and review matches Match review	High	December 2018 December 2019	AM
8	CIPFA fraud survey Submit Review report results	Med	Annual	AM CFO
9	Review counter fraud " partnership" arrangements evaluating who we work with and how effective they are	Medium	March 2019	CFO CMT AD's
10	Consider the internal and external promotion of whistleblowing	Medium	Mar 19	AM CFO HRM
11	Ensure optimum use of technology/analytics Consider data technology pilots to improve efforts to detect and prevent fraud .	Medium	Ongoing Tenancy fraud one example/ SPD/CTS/ NFI	CFO/AM LCFP
12	Review intelligence on changes to the control environment (which increase fraud/error risk) Communicate requirements to service managers/AD's			

13	Complete the Values and behaviours audit	Medium	18/19 Audit Plan	AM
14	Undertake counter fraud "healthcheck"	Medium	Mar 19	LCFP
15	Where there has been a fraud or attempted fraud feedback to Audit committee/AD/CMT any Control improvements	Medium	Ongoing Six month fraud and error report	AM

Annex B Fraud Risk Register

End of report

STRATEGIC FRAUD RISK REGISTER

CITY OF Lincoln COUNCIL

Likelihood		Impact			
A Almost Certain					
B Probable					
C Possible		7	14,15,17,18,19		13
D Hardly Ever		11	1,2,3,4,5,6,8,9,10,11,12,16,21,22,24	23,25	
		4 Negligible	3 Minor	2 Major	I Critical

RISK REGISTER: FRAUD RISKS – AS AT DECEMBER 2018

December 2018
VERSION: 2

REVIEWED:
CMT
Risk owners

OWNER: CHIEF FINANCE OFFICER/CORPORATE MANAGEMENT TEAM

National and local fraud comparison - uses CIPFA fraud survey 2017

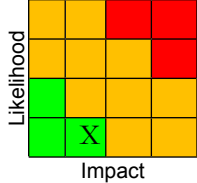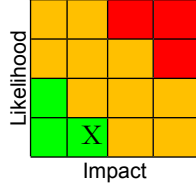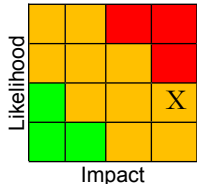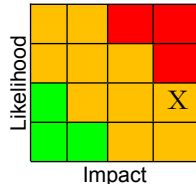| Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
1.	**Contracting /contract management** **National – Low** **Local – no issues** Bribes and kickbacks - corruption abuse of position Inflated performance information Failure to deliver contract / standard Altered payment details / mandate fraud False / duplicate payments / double invoicing / overpayments Cartels Collusion with suppliers / contractors Conflict of interest Delivery of inferior or substandard substitute products	City Solicitor	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Fraud training	None	Likelihood / Impact (X)	Likelihood / Impact (X)	Substantial	Static
2.	**Procurement** **National – Low** **Local – no issues** Violation of procedures Bribery of officers involved in tendering. Cartels Manipulation of accounts Records or methods of payments. Failure to supply Failure to supply to contractual standard. Bid rigging False bid information	City Solicitor	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Tendering process Transparency Code E-procurement Credit checks	None	Likelihood / Impact (X)	Likelihood / Impact (X)	Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
3	**Payments – Creditors** ***National – Low*** ***Local*** *– there are some duplicate payments but very low numbers paid incorrectly* Credit card/ procurement card False invoices/claims Duplicate payments - false submission BACS fraud - fraudulent change of bank details. Mandate fraud. Finance lease fraud Illegitimate purchases	CFO	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes P-card controls Purchase order control Bank details checks Reconciliations System controls	To agree the level/type of additional creditor duplicate payment checks needed (CFO) (if any over and above NFI) (CFO Mar 19) Purchase order project CFO/CX (ongoing) • Link P2 to Agresso • Contracts Register/module • Educational drive	Likelihood / Impact (X)	Likelihood / Impact (X)	Substantial	
4	**Income Collection** **National – Low** **Local –***Occasionally. EG Car park income - theft of machine money (not staff) - Periodic fraud at other LA's - usually around lack of supervision, procedures, receipting, reconciliation, signage. Policy of ""cash free"" environment – but some very limited cash still received.* *Ticket forgery possible - theft of services* Theft by employee / external individuals	CFO	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Parking services controls PCIDSS IT security Bank reconciliation Receipting systems No-cash policy	None	Likelihood / Impact (X)	Likelihood / Impact (X)	Substantial	

Risk No:	Risk Description (and ColC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	Abuse of customer payment card data Cash received borrowed Non recording of income Falsification of income records Theft of cash / income / accounting fraud - some significant areas such as parking income Avoidance of charges								
5	**Debt management** **National – Low** **Local – no issues** Falsifying refunds Manipulation of credit balances/payments Improper write off / cancellation Failure to institute recovery proceedings Switching/transferring arrears or manipulation of credit balances Suppression of any notification of debt to be raised	CFO	<u>**Cautious**</u>	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Refund procedure Balance transfer procedure Write off/recovery procedure/authorisation On hold procedure/review Reporting performance	None	Likelihood / Impact	Likelihood / Impact	Substantial	
6	**Money Laundering** **National – Low** **Local – no issues** Hiding improper transactions Exchanging money or assets	City Solicitor	<u>**Cautious**</u>	Staff training and awareness Policies and procedures Income controls Monitoring processes Segregation of duties Cash payment limits Financial regulations Whistleblowing policy	Money Laundering policy to be updated December 2018 City Solicitor/Audit Manager)	Likelihood / Impact	Likelihood / Impact	Substantial	

Risk No:	Risk Description (and ColC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	obtained criminally for 'clean' money or assets Refunds following cash overpayments			Counter fraud policy					
7	**BACS/Cheques** **National – Low** **Local – no issues** False instruments Theft of customer card data Mis-use / alteration of cheques Mandate, Direct Debit or Standing Order fraud on Council's account. Counterfeit cheques Alteration of existing cheques	CFO Sarah Hardy	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Bank reconciliation PCIDSS compliant Cheque control Other reconciliation arrangements	None	Likelihood / Impact (X marked)	Likelihood / Impact (X marked)	Substantial	
8	**Payroll/employees** **National – Low** **Local** – Occasional Ghost employees Manipulation of payroll data Recruitment fraud e.g. qualification / reference/ convictions False claims and allowances False recording of working hours and leave Pension fraud Abuse of holiday, sickness absence or other time off entitlements Working whilst on sick leave Failure to declare convictions	City Solicitor	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Recruitment controls/ID checks IT systems	None	Likelihood / Impact (X marked)	Likelihood / Impact (X marked)	Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	Mis-use of time - excessive use of mail / internet Unauthorised changes to payroll system Redirection or manipulation of payments Not undertaking required duties Working for multiple employers without knowledge of others breaches of authorisation and payment procedure false identity immigration - no right to work acceptance of gifts/ conflicts of interest								
9	**Treasury management / investment fraud** **National – Low** **Local – no issues** Misappropriation / manipulation of investments for personal gain Potential conflicts of interest Unauthorised access to information Fraudulent misappropriation of assets Loss through breach of procedures False Instruments	CFO	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Treasury advisors Treasury strategy and guidance	None			Substantial	
10	**Property, land , equipment** **National – Low** **Local – no issues**	CFO	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR	Completion of inventory (Mar 19)			Substantial	

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Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	Misappropriation / misuse Valuation of property for personal gain Disposal of assets - land and property **Mark wheater**			Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Inventory Asset registers Acquisition and disposal procedures RICS Legal review					
11	**Grants - Housing and Economic Support / Third Sector** **National – Low Local – no issues** This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation Fictitious / fraudulent claims "False payment of grants, loans or financial support to any private individual, company, charity or non-governmental organisation, including; - housing renovation / DFG grant - collusion between housebuilder and builder	CFO City Solicitor AD-HES Hannah Cann	<u>**Cautious**</u>	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Grant control procedures Quotes/tenders Service level agreements	None	Likelihood / Impact matrix with X marked	Likelihood / Impact matrix with X marked	Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	**Required Mitigation (inc timescales)**				
	- grants paid to landlords for property regeneration" donations to local sports clubs and other clubs loans or grants made to a charity Misuse of monies / failing to deliver agreed service Theft / misappropriation of grant funds Conflicts of interest								
12	**False Accounting** **National – Low** **Local – no issues** Making misleading / false or deceptive entries Omission of details	CFO	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Internal control processes External audit Reconciliations IT systems	None			Substantial	
13	**IT/Data** **National – Medium** **Local –** External malware attacks possible / very occasional issues with employees accessing data Misuse/ theft of information for personal gain Manipulation of data – financial or non-financial –	AD-SD City Solicitor BDIT Manager Data Protection Officer	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control	None Implementation of (IT security) audit recommendations LGA Stocktake (actions to be agreed) IT DR review completion Completion of GDPR action			Limited/ Substantial	

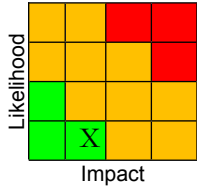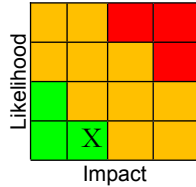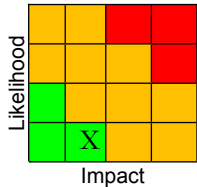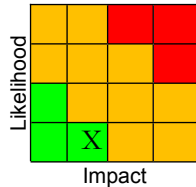| Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	performance or gain Data theft e.g. access rights Cyber fraud/malware/ransomware/hacking Theft of equipment Misuse of internet and email			Authorisation processes IT access controls IT security policies Information governance policies and action plans PCIDSS Prevention Cryptshare Citrix controls Software controls Patching Back-up/IT DR Asset registers Procurement process Disposal process	plans				
14	**Insurance** **National – Low Local – no issues** This fraud includes any false insurance claim made against an organisation or an organisation's insurers. *Some housing "disrepair" companies operating – able to defend any PL claims*	CFO	<u>**Cautious**</u>	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Claims management systems Database of previous cases	None			Substantial	
15	**Council Tax** ***National – High*** ***Local –*** *2015-16 CoIC SPD - 322 removals savings £85K*	CFO HRBSS Bob	<u>**Cautious**</u>	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR	Single Person Discount review 2018 (complete) Reviewing rolling SPD reviews and SMART			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	2018 *722 removals* *6.8%* *Revenue £218,724* *There are some concerns about Landlords manipulating the system to avoid CTax on Student accommodation. Only 4/5 incidents uncovered.* *Only 1 attempt has been made to fraudulently obtain a refund of Tax, not successful and reported to Police and Bank* A. Single Person Discount A. Exemptions - student occupancy/ vacant properties / property left empty by deceased persons / severely mentally impaired B. Avoidance of liability through any other fraudulent claim for council tax entitlement e.g. student exceptions B. New properties not on the list built without planning permission B. No notification of properties built & occupied or built & substantially complete. C. Refund fraud	Wagstaff		Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls SPD review Exemptions/discounts ongoing review processes Property inspection Refund controls Benefit record matches	referrals with LCFP – could take place from April 2019.				
16	**Business Rates** **National – low risk** **Local –**BR avoidance project now completed *One or two are referred to the*	CFO HRBSS	<u>**Cautious**</u>	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing	None			Substantial	

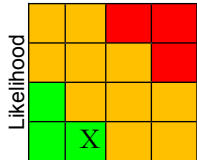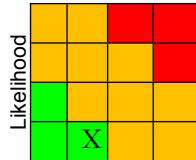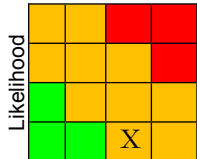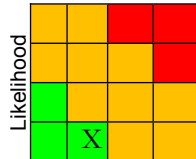| Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
159	*Insolvency service each year* *Non-disclosure - there are about 10 a year where we have issues and need to investigate further/challenge* Business rate fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to differentiate between evasion and avoidance. Business rate fraud can include the falsification of circumstances to gain exemptions and discounts. This is any fraud linked to the avoidance of paying NNDR which could include: False company details Failure to declare occupation Payment using false bank details Companies going into liquidation then forming new companies Not disclosing relevant information - e.g. size of company to gain rate relief (small business relief) Manipulation of credit balances/payments Fraudulent refunds *The use of temporary leases to charities to avoid empty rate relief charges is prevalent. Unfortunately this is a difficult one to avoid due to legislation* *Partial occupation for 6 weeks is also prevalent – again this is a loophole in the law and whilst not in the spirit of the*			Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Company checks Insolvency service Business rates avoidance work – ongoing learning used Intelligence gathering Reliefs – approval Balance transfer approval Refund process					

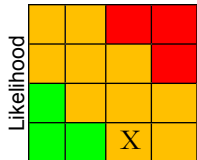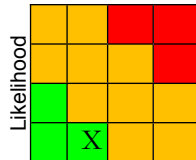| Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	law there is case law which says that this is not illegal. *Avoidance tactics are "high risk" but within legislation so not technically fraud*								
17	**Council Tax Support Scheme** **National – High Risk Local –** *Changes are made to CTS accounts linked to any HB fraud data* Any fraud linked to the false claiming of Council Tax Support.	CFO HRBSS	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls HB changes actioned CTS policy HB matching service RTI SPD reviews (with CTS)	Reviewing rolling SPD reviews and SMART referrals with LCFP – could take place from April 2019.			Substantial	
18	**Housing Benefit** **National –High Risk Local – no issues** *(Sept 17) So far in 2017/18 the*	CFO HRBSS	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training				Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	**Required Mitigation (inc timescales)**				
	Council was involved with 82 benefit referrals to and from SFIS linked to possible benefit fraud. ColC officers are still responsible for agreeing administrative penalties. *For 2017/18 5 Housing Benefit administrative penalties were issued by City of Lincoln Council. These had a value of £4463.08. Overpayments in these cases totalled £9053.97. Four cases were prosecuted and found guilty. Overpayments in these cases totalled £16,967.25. In total CTS values where these linked to HB cases were a reduction of £2329.58. Total overpayments are therefore £28,350.80* *Any fraud linked to the false claiming of housing benefit* *No recourse to public funds - this type of fraud includes claimants using false documents to obtain benefits*			NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls Fraud Policies and Procedures DWP/SFIS liaison Validation exercises HB Matching Scheme NFI matching scheme RTO/Optional RTI – RTI continues 18-19 Fraud policy Fraud Act Intelligence gathering Data cleansing HB/CTS fraud prosecution and sanctions policy updated (18/19)					
19	**Housing** **National – High Risk** **Local –** *Dec 17, 17-18* *2 cases sub-letting* *11 notices to quit for non-occupation* *Applications: False information is received, but the risk impact is low as checks made would normally capture such as fraud* *Have had some cases where we have referred potential client (financial) abuse to the*	AD-Housing (management/Investment)	**Cautious**	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes IT access controls	Undertake a tenancy fraud risk assessment and produce an updated fraud strategy/action plan, aligned to a refresh of the fraud policy. Undertake some pro-active fraud work during 2018/19 (using a tenant verification service) making resources available as part of the new budget process. Agreed that a process of ID verification needs to be			Limited/Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	**Required Mitigation (inc timescales)**				
	Police *Housing and tenancy fraud takes a number of forms including:* *illegal subletting for profit* *providing false information to gain a tenancy* *wrongful tenancy assignment and succession* *failing to use the property as the principal home* *right to buy fraud, for example where circumstances have been misrepresented to qualify for a discount* Tenancy sub-letting in contravention of tenancy agreement (A) Non-occupation in contravention of tenancy agreement (not technically fraud)" Key selling (A) Fraudulent succession - false information (A) Right to Buy fraudulent application , valuation (A) Fraudulent application - false information (B) False homelessness applications - false information (B) Sheltered schemes - theft of customers money (C)			Fraud policy Application process Social Housing Fraud Act Eviction powers ID checks Valuation process (RTB) RTB verification process Home visits No involvement with client monies Access/Key security	undertaken at the 3 week visit. When a tenant registers with the Council a copy of photo ID should be taken" (between December 18 and March 2019)				
20	**Development management / Planning** **National – Low** **Local – no issues** Corruption / collusion / inducements / conflict of	Planning Manager	<u>**Cautious**</u>	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training (annual for members) NFI	None			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	interest / bribery Planning, S106, affordability, other areas where officers are checking compliance / fines issued Using Planning process to increase land values False representations (Support/non-support) Provision of false information by the applicant.			Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Legal requirements Public records Transparency Planning Ombudsman					
21	**Theft / Asset misuse** **National – Low** **Local – no issues** Stores Materials Plant Vehicles Fuel General Theft of cash Theft of income Accounting fraud - significant areas such as Parking income. Inappropriate use of Council assets - eg IT equipment, vehicles, other assets	CFO + All AD's	<u>**Cautious**</u>	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Asset register Inventory Policies/procedures See income risk	Completion of inventory (Mar 19) IT asset check (Mar 19)	Likelihood / Impact (X plotted green, low likelihood low impact)	Likelihood / Impact (X plotted green, low likelihood low impact)	Substantial	
22	**Refund fraud** **National – Low** **Local –** *"Linked to Council Tax, NNDR, Rents One case 2015/16 "* *We have tightened the*	CFO	<u>**Cautious**</u>	Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements	None	Likelihood / Impact (X plotted green, low likelihood low impact)	Likelihood / Impact (X plotted green, low likelihood low impact)	Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	Required Mitigation (inc timescales)				
	controls considerably and put strategies in place so that we are much less likely to be exposed to this kind of fraud. Any fraud linked to the false claiming of Council Tax Support, NNDR or Rents refunds. Payment using false/fraudulent instrument then reclaiming a refund. Employee based false payment then request for refund.			Monitoring Due diligence checks Intelligence sharing Budgetary control Authorisation processes Application process PCIDSS Due diligence checks Banking checks Segregation of duties IT access					
23	**Election Fraud** **National –low** **Local – no issues** Fraudulent voting Fraudulent acts by canvassers Fraudulent acts by poll clerks/officers Fraudulent acts by individuals	City Solicitor	**Cautious**	Management review of processes Staff training Clear policies and procedures Restricted system access Independent count staff Security at the count centre Management oversight Ballot boxes are secure Audit trail Verification of signatures and dates of birth of postal voters Verification of identify at the polling station Supervision at counts Access controls Application form checks Regular review of electoral register Police single point of contact (SPOC) information both ways Integrity plan ahead of any election	None			Substantial	

Risk No:	Risk Description (and CoIC exposure)	Risk Owner	Risk Appetite (Corporate)	Controls/Actions		Current Risk Score	Target Risk Score at end of March 2019	Level of Mgmt Assurance - (Full, Substantial, Limited, No)	Assurance – Direction of Travel (Improving, Static, Declining)
				Current/Already in Place	**Required Mitigation (inc timescales)**				
				Daily checks are completed to ensure that there are no duplicate entries in the register. Controls around impersonation					
24	**Bribery and Corruption** **National – Low** **Local – no issues** Bribery / Corruption / collusion / inducements / conflict of interest	City Solicitor CFO	**Cautious**	Anti-bribery policy Supervision Separation of duties HR policies Registers (GH/Interests) FPR/CPR Training NFI Whistleblowing Arrangements Monitoring Due diligence checks Intelligence sharing	None	Likelihood / Impact matrix with X in low-likelihood, low-impact orange cell	Likelihood / Impact matrix with X in low-likelihood, low-impact orange cell	Substantial	
25	**Partnerships and outside bodies** Fraud risks within these areas	City Solicitor	**Cautious**	Partnership/joint working guidance Training Member induction/training Legal review Finance review	Further training for officers and members that represent the council on outside bodies, particularly where there is a financial role	Likelihood / Impact matrix with X in orange cell	Likelihood / Impact matrix with X in orange cell	Substantial	
26	**Identity fraud** Identity fraud is a risk within other areas, but is cross-cutting so recorded as a separate risk	City Solicitor CFO	**Cautious**	Identity checks Guidance/Training DWP requirements Equipment (UV)	Consolidate guidance and distribute corporately by Mar 19	Likelihood / Impact matrix with X in orange cell	Likelihood / Impact matrix with X in orange cell	Substantial	

AUDIT COMMITTEE **11 DECEMBER 2018**

SUBJECT:	**AUDIT COMMITTEE WORK PROGRAMME 2018/19**
REPORT BY:	**AUDIT MANAGER**
LEAD OFFICER:	**AUDIT MANAGER**

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1. **Purpose of Report**

1.1 To provide details of the draft Audit Committee work programme for 2018/19

2. Executive Summary.

2.1 The Audit Committee approves a work programme each year and monitors progress.

3. Details

3.1 The proposed work programme is attached at Appendix A. The frequency of meetings has been reviewed and is considered appropriate for 2018/19.

4. Organisational Impacts

4.1 Finance

There are no direct financial implications arising as a result of this report.

4.2 Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity & Human Rights

There are no direct E and D implications arising as a result of this report.

5. Recommendation

5.1 The Audit Committee should comment on and agree the work programme for 2018/19.

Key Decision   No

Do the Exempt   No
Information Categories
Apply?

Call in and Urgency: Is the   No
decision one to which Rule
15 of the Scrutiny
Procedure Rules apply?

How many appendices   One
does the report contain?

List of Background   None
Papers:

Lead Officer: Audit Manager Telephone 873321

AUDIT COMMITTEE
AUDIT WORK PROGRAMME FOR 2018/19

Meeting dates	Audit Items	Training (Suggested)	Comments
14th June 2018	• **Internal Audit Progress report** • **Statement of Accounts (Draft)** • **Annual Governance Statement (Draft review)** • **Audit Committee Work Programme** • **Annual Internal Audit Report** • **12 month Fraud and Error report**	• **Audit Committee effectiveness (new members)** • **Local Government Financial Statements explained** • **Annual Governance Statement/Corporate Governance (Part of Meeting)**	
19 Jul 2018 6.00 pm	• **Statement of Accounts / Annual Governance Statement (Final)** • **Annual Governance Report / Auditors Report (External Audit)** • **Terms of Reference review - Audit Committee** • **Review of the effectiveness of Internal Audit and Audit Committee** • **Appointment of External Auditor** • **Annual Audit Letter (External Audit)**		

Date			
27 Sep 2018 6.00 pm	• **Internal Audit progress report** • **Audit Committee Work Programme** • **Annual Governance Statement monitoring report** • **Annual Complaints report**		
18 Dec 2018 6.00 pm	• **Audit recommendations report** • **Risk Management (options) report** • **Internal Audit progress report** • **Six Month Fraud and Error report** • **Annual Governance Statement - monitoring** • **Audit Committee Work Programme** • **Counter fraud policies - anti money laundering / fraud strategy + fraud risk register)** • **Information Governance Update** • **Review of the effectiveness of Internal Audit and Audit Committee**	• **Counter Fraud** **(Via e-learning)**	
12 Feb 2019 6.00 pm	• **Internal Audit Progress report** • **Treasury management policy and strategy (consultation prior to approval by Council)** • **Audit Committee Work Programme** • **External Audit annual report on grants and returns** • **External Audit plan** • **Draft Internal Audit plan 19-20** • **Terms of Reference review – Internal Audit**	• **Treasury Management**	

26 Mar 2019 6.00 pm	• **Internal Audit Progress report** • **Combined Assurance report** • **Annual Governance Statement –update report** • **Final Internal Audit Strategy and Plan 19-20** • **Risk Management Strategy / annual report** • **Statement on Accounting Policies** • **Audit Committee Work Programme** • **External Audit Inquiries – 18/19 Statement of Accounts** • **IAS19 – Assumptions used to calculate pension entries in the Statement of Accounts and Audit Regulations** • **Strategic Fraud risk register** • **Information Governance Update report**		

A private meeting between the Audit Committee and internal and external audit managers can be arranged outside of the meeting agenda times.

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