

# Audit and Risk Committee

## 27 September 2021

**Time** 2.00 pm **Public Meeting?** YES **Type of meeting** Regulatory

**Venue** Council Chamber

### Membership

**Chair** Cllr Alan Butt (Lab)  
**Vice-chair** Cllr Jonathan Yardley (Con)

#### Labour Independent Member

Cllr Mary Bateman  
Cllr Philip Bateman MBE  
Cllr Craig Collingswood  
Cllr Clare Simm

Mr Mike Ager

#### Conservative

Cllr Andrew McNeil

Quorum for this meeting is two Councillors.

### Information for the Public

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Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

# Agenda

## Part 1 – items open to the press and public

*Item No.*     *Title*

### MEETING BUSINESS ITEMS

- 1            **Apologies for absence**
- 2            **Declaration of interests**
- 3            **Minutes of previous meeting** (Pages 3 - 6)  
[For approval]
- 4            **Matters arising**  
[To consider any matters arising from the minutes]

### DECISION ITEMS

- 5            **Strategic Risk Register Update** (Pages 7 - 16)  
[To receive an update on the strategic risk register.]
- 6            **Internal Audit Update** (Pages 17 - 26)  
[To receive the internal audit update.]
- 7            **Audit and Risk Committee Annual Report 2020-2021** (Pages 27 - 28)  
[To receive the audit and risk committee annual report 2020-2021.]
- 8            **CIPFA Audit Committee Update** (Pages 29 - 50)  
[To receive a CIPFA audit committee update.]
- 9            **Counter Fraud Update** (Pages 51 - 92)  
[To receive a counter fraud update.]
- 10           **Payment Transparency** (Pages 93 - 94)  
[To receive a payment transparency update.]
- 11           **Audited Statement of Accounts**  
[To receive the audited statement of accounts. To follow.]

## Attendance

### Members of the Audit and Risk Committee

Cllr Alan Butt (Chair)  
Cllr Jonathan Yardley (Vice-Chair)  
Cllr Craig Collingswood  
Cllr Clare Simm  
Mike Ager

### Conservative

Cllr Andrew McNeil

### Employees

Emma Bland	Finance Business Partner
Peter Farrow	Head of Audit
Claire Nye	Director of Finance
Hayley Reid	Regulatory Governance Manager
Alison Shannon	Chief Accountant
Mark Wilkes	Audit Business Partner
Ian Cotterill	Audit Business Partner
Fabrica Hastings	Democratic services Officer
Jaswinder Kaur	Democratic Services Assistant

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## Part 1 – items open to the press and public

*Item No.*      *Title*

- 1 Apologies for absence**  
Apologies were received from Councillor Philip Bateman and Councillor Mary Bateman.
- 2 Declaration of interests**  
There were no declarations of interest.
- 3 Minutes of previous meeting**  
That the minutes of the previous meeting held on 21 June 2021 be approved as a correct record.

4 **Matters arising**

Councillor Craig Collingswood requested an update on the committee membership vacancies. Claire Nye, Director of Finance advised that there was one vacancy available for an independent member to replace John Humphries and that the recruitment would begin in September 2021. Members of the Committee would be kept updated on the progress made with committee membership vacancies.

5 **Internal Audit Annual Report 2020-2021**

Peter Farrow, Head of Audit, presented the Internal Audit Annual Report 2020-2021.

The Committee were advised that due to Covid-19, the Internal Audit Annual Report 2020-2021 would continue to be reviewed and that members would be updated.

The Audit Services had recruited two apprentices under the National Apprenticeship Programme, to study towards obtaining the Chartered Institute of Internal Audit qualification. Yoo Recruit was in the process of recruiting for an officer backfill post at the WMPF on a temporary basis.

Online surveys were circulated to Employees at random for feedback on the professional conversations. The feedback results found that 55% of Employees had completed professional conversations and 45% had not.

The Committee were advised that the issue was flagged with the Head of Procurement to review. The low uptake did not affect the Councils level of assurance and SEB would aim to push the professional conversations and transition into a new framework.

The Committee were advised that the Head of Audit would work with the Audit Team to collate data on service areas to assess which was least compliant.

Following a query regarding the Councils supplier, The Head of Audit advised that further details would be provided to Councillor Jonathan Yardley.

Resolved:

1. That the Internal Audit Annual Report 2020-2021 be noted.
2. That it be agreed that the Head of Audit would work with the Audit Team to collate data on service areas to assess which was least compliant.
3. That it be agreed that further details regarding the Councils supplier would be provided to Councillor Jonathan Yardley.

6 **CIPFA Audit Committee Update**

Peter Farrow, Head of Audit, presented the report on the CIPFA Audit Committee Update.

The group were advised that the CIPFA Audit would form part of the Statement of Accounts by working with internal/external auditors under different sets of standards, to avoid any duplications.

The Committee were advised that the CIPFA Audit was focused on the annual governance statement, Local auditors and internal audit, working in collaboration to include regular briefings on current issues.

Resolved:

1. That the CIPFA Audit Committee update be noted.

**7 Strategic Risk Register Update**

Hayley Reid, Regulatory Governance Manager, presented the report on the Strategic Risk Register Update.

The group were advised that the Strategic Risk Register was aligned with the Councils 'Relight Out City Strategy', that would be considered as part of the Councils ongoing risk profile.

A copy of the Councils Risk management framework was included within the report and risks were identified as red included;

Reputation / Loss of Public Trust;  
Social Care Providers Adults;  
Risk Unemployment;  
MTFS.

In response to a query regarding Strategic Risk Register benchmarking to establish the risk appetite for the Council. The group were advised that each risk identified has a target score underpinned within the risk register and defined within the Strategic Risk Register, rather than a collective appetite. Further detail regarding the Councils risk appetite would be provided at the next Audit and Risk Committee.

In response to a query regarding the risk impact from Covid-19 on WV Living, the group were advised that the risk would diminish over time and would be removed from the risk register soon.

Resolved:

1. That the Strategic Risk Register update be noted.

**8 Counter Fraud Update**

Mark Wilkes, Audit Business Partner, presented the report on the Counter Fraud Update.

The Business Energy and Industrial Strategy, require the Council to complete work on the Counter Fraud Plan. Covid-19 business grants were include within the Counter Fraud Plan and 14 other grants were identified through debt recovery processes and reported to the National Anti-Fraud Recovery.

The group were advised that the Council were conducting post/pre-payment checks to prevent ineligible individuals from accessing business support grants or various schemes, that could have impact locally and nationally.

Resolved:

1. That the Counter Fraud update be noted.

**9 Draft Statement of Accounts**

Emma Bland, Finance Business Partner, presented the report on the Draft Statement of Accounts.

The Council were asked to note the draft Statement of Accounts, which were currently being audited by Grant Thornton.

Members of the Committee had attended workshops on the accounts where details of other statements was provided that included;

- Cashflow Statement
- Housing Revenue Statement;
- Collection Fund Statement;
- Accounting Policies
- Annual Governance Statement.

In addition, external asset valuers and pension fund representatives had attended the previous two committees to provide more detail around accounting estimates used in these areas.

The group were advised that the audited Statement of Accounts would be brought to next Committee to comply with the statutory sign off deadline of 30 September 2021.

Resolved:

1. That the Draft Statement of Accounts be noted.

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### **Payment Transparency**

Peter Farrow, Head of Audit, presented the report on the Payment Transparency.

The report outlined the Councils current position with regards to the publication of its expenditure in its entirety.

The group were advised that there was no further requests arising from the Councils spend data since last presented to Committee in March 2021 and that members of the public could contact the Councils to request further information on the Councils spending.

Resolved:

1. That the Payment Transparency update be noted.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> <b>27 September 2021</b>
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<b>Report title</b>	Strategic Risk Register Update	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee</b>	Peter Farrow	Head of Audit
	Tel	01902 550417
	Email	<a href="mailto:Peter.Farrow@wolverhampton.gov.uk">Peter.Farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Strategic Executive Board	9 September 2021

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**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The latest summary of the Council's Strategic Risk Register, as at Appendix A.

## **1.0 Purpose**

- 1.1 To keep members of the Audit and Risk Committee aware of the key strategic risks faced by the Council and how it can gain assurance that these risks are being mitigated.

## **2.0 Background**

- 2.1 The Council is no different to any organisation and will always face risks in achieving its objectives and priorities. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 2.2 The Strategic Risk Register is an essential component of the Council's Performance Framework by which the Council assesses the efficiency and effectiveness of operations against organisational strategic priorities and statutory requirements. The risk register is monitored along with the analysis of high-level city data on key priorities, regional and national benchmarking data and financial monitoring.
- 2.3 The Strategic risk register was last presented to Committee in July 2021. Since that time the risk register has been reviewed in conjunction with risk owners and updated where appropriate.
- 2.4 The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the Council's corporate priorities. Other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.
- 2.5 A summary of the strategic risk register is included at Appendix A of this report which sets out the status of the risks as at September 2021. These risks are reviewed on an on-going basis and can be influenced by both external and internal factors and as such, may fluctuate over time.

## **3.0 Progress, options, discussion**

- 3.1 The strategic risk register will be updated as required and presented at approximately quarterly intervals to the Committee. The strategic risk register does not include all the risks that the Council faces. It represents the most significant risks that could potentially impact on the achievement of the corporate priorities. As stated above, other risks are captured within directorate, programme, project or partnership risk registers in line with the Council's corporate risk management framework.



## 4.0 Risk Appetite

- 4.1 At the last Committee meeting, the Committee enquired about the Council's risk appetite. Risk appetite is defined as the level of risk with which an organisation aims to operate to achieve its objectives, while risk tolerance is defined as the amount of risk that an organisation is willing to operate in given current constraints. The Council's risk appetite is set out in its risk management framework, as presented to the Committee in July 2021, as follows:

*"The amount of risk we take as a Council to achieve our objectives is known as our risk appetite. Defining our risk appetite gives us overall guidance when we make decisions. As a council, we seek to deliver better outcomes for residents and businesses in the City of Wolverhampton by producing solid and sustainable plans that can be held accountable for delivering. We challenge ourselves to evaluate the level of risk within these plans and only go ahead with them after doing so. This means we look at our risk appetite for each decision. In some areas we may take more risk in order to support new ways of working, in others we may take less risk (to make sure we comply with the law or maintain public confidence). In all circumstances, though:*

- We would never do anything to financially threaten our ability to continue as a going concern.*
- We would always act within the law.*

*Despite this, there may be times when we are forced to take risks we wouldn't otherwise tolerate in order to follow Government directions or satisfy public expectations of better services".*

Source: City of Wolverhampton Council's Risk Management Framework

- 4.2 The table below provides a definition of what are generally considered to be the different levels of risk appetite within an organisation.

Averse	Avoid actions with associate with risk impact or loss, defensive approach.
Minimal	Only willing to take low risks and accept very limited risk impacts where essential to delivery and achievement of objectives
Cautious	Considered risk taking in pursuit of achievement of objectives, will consider actions where benefits outweigh risks
Open	Supports innovation and receptive to taking difficult decisions where benefits outweigh risks.
Eager	Ready to take difficult decisions where benefits outweigh risks, pursue innovation with a desire to challenge current practices 'breaking the mould'.

- 4.3 The Council's risk appetite varies dependent upon the nature and circumstances of the decision being made. Overall, the Council considers that its risk appetite is generally open. However, in order to deliver our priorities and invest in the future of the City the Council has to be ambitious and innovative and where necessary take an eager attitude towards risk.
- 4.4 With regards to risk tolerance, each risk on the Strategic Risk Register has a target score assigned to it by the risk owner which when taken together generally reflects the risk tolerance within which the Council would seek to operate. In principle the Council would seek to minimise any red risk activity wherever possible, although for example certain events will at times be outside of the Council's control.
- 4.5 The target risk score for each risk is compared to the current risk score on the Strategic Risk Register, and also includes a brief narrative on how each risk is being managed. The register is then considered on a regular basis by both SEB and the Audit and Risk Committee. Any red risks and differences between target and actual risk scores which are of concern, can then be explored further.

## **5.0 Financial implications**

- 5.1 There are no financial implications associated with the recommendations in this report as Councillors are only requested to note the risk register summaries. Financial implications may arise from the implementation of strategies employed to mitigate individual risks, but these will be evaluated and reported separately if required. [GE/14092021/K]

## **6.0 Legal implications**

- 6.1 Although there may be some legal implications arising from the implementation of the strategies employed to mitigate individual risks, there are no direct legal implications arising from this report.  
[TC/14092021/E]

## **7.0 Equalities implications**

- 7.1 Although there may be equalities implications arising from the implementation of the strategies employed to mitigate individual risks, there are no direct equalities implications arising from this report.

## **8.0 All other implications**

- 8.1 Although there may be implications arising from the implementation of the strategies employed to mitigate individual risks, there are no direct implications arising from this report.

## **9.0 Schedule of background papers**

9.1 None

## **10.0 Schedule of appendices**

10.1 Appendix A – Strategic Risk Register

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Risk Ref	Risk title and description	Relighting our city priority	Current Risk Score & Target Score & Appetite	Direction of Travel	Update position
1 04/21	<b>Impact on Residents Health and Wellbeing</b> There is a potential impact on the health and wellbeing of Wolverhampton residents due to inaction by the Council.  <b>Risk Owner: John Denley</b> <b>Cabinet Member: Cllr J Jaspal</b>	Support People who need us most	12 Amber  Target 8 Amber	↔	The Council published an <a href="#">outbreak control plan</a> in June 2020 which was refreshed in March 2021 and sets out how, together, we will continue to protect and support our city from the virus and any future outbreaks. Work is ongoing to support two significant programmes associated with the pandemic: a lateral flow testing (LFT) programme and a vaccination programme. A local, more detailed risk register detailing operational risks and issues is being maintained within public health.
2 04/21	<b>Businesses Closing</b> Loss of businesses within the City, potentially impacting on regeneration and the achievement of the Council's 'Relight' recovery plan.  <b>Risk Owner: Richard Lawrence</b> <b>Cabinet Member: Cllr S Simkins</b>	Grow our vital local businesses  Stimulate vibrant high streets and communities	8 Amber  Target 4 Amber	↓	As current guidelines for Covid 19 have been relaxed, businesses across the City are reopening. For some sectors this has brought new challenges particularly amongst the hospitality, leisure and care sectors who are reporting shortages in staff. This is impacting on the businesses ability to meet customer demand. Another significant challenge is the supply chain, due to staff shortages in logistics and distribution and the UK no longer part of the EU. The food and construction sectors are reporting significant delays.  The Council is continuing to support local businesses to adapt and invest in new ways of working and strengthen areas which the pandemic has highlighted as weakness in their business. Along with the expert advice and guidance, the Council's Business Relight programme now offers small grants.
3 04/21	<b>Safeguarding Children</b> Failure to safeguard the City's most vulnerable children.  <b>Risk Owner: Emma Bennett</b> <b>Cabinet Member: Cllr B Momenabadi</b>	Support the people who need us most	12 Amber  Target 8 Amber	↔	Statutory social work with children and families continues to be delivered face to face as it has been throughout most of the pandemic. In addition, important programmes that work with victims of domestic abuse and families affected by sexual abuse are now being delivered face to face by the Councils Strengthening Families Workers. Demand has been higher than recent pre-pandemic years over the summer period resulting in higher referrals both to social care and early intervention.  There has also been an increase in social work turnover, although the annual turnover rate remains below national levels the fact that leavers have all left over a short period of time does mean that caseloads are slightly increasing. Actions are being taken to try to attract out of city agency workers and social workers are being supported to ensure children are safe.  Monthly data continues to be submitted to the DfE and is being closely monitored.  MASH24 was launched on 14 June 2021, the new arrangements support greater consistency of practice and response during the daytime, evening and at weekends.
4 04/21	<b>Safeguarding Adults</b> Failure to safeguard the City's most vulnerable adults.  <b>Risk Owner: Emma Bennett</b> <b>Cabinet Member: Cllr L Leech</b>	Support the people who need us most	12 Amber  Target 8 Amber	↔	All statutory assessments and safeguarding enquiries are undertaken and more face to face visits are taking place. Service providers and inhouse provision continue to reopen services safely. An increase in contacts to MASH and ASC has been experienced.  The impact of the Government Guidance on mandatory vaccinations is a potential risk to statutory service delivery (see new risk 18 below).
5 04/21	<b>Reputation / Loss of Public Trust</b> There is a risk that the Council loses public trust and confidence by; <ul style="list-style-type: none"> <li>failing to respond to the needs of local people, especially vulnerable</li> <li>failure to warn and inform the public leading to impact upon the health of residents and businesses.</li> </ul> <b>Risk Owner: Ian Fegan</b> <b>Cabinet Member: Cllr I Brookfield</b>	Support the people who need us most	15 Red  Target 10 Amber	↔	Comprehensive, targeted and regular communications with residents and other key stakeholders in Wolverhampton has played a key role in driving down infection rates and driving up vaccination rates in the City. Effective communications remain essential to keeping people of all ages safe, connecting them to life-saving covid-19 vaccines, reinforcing positive behaviours following the lifting of restrictions to help prevent the virus spreading and preparing residents for recovery and 'relight'. There has been a comprehensive assessment of levels of vulnerability and the Council's approach will continue to prioritise keeping the most vulnerable residents safe. Co-ordinating communications, working with partners at a local, regional, and national level continues to be absolutely vital to ensure clear and consistent messaging.
6 04/21	<b>Social Care Providers Adults</b> There is a risk that we may lose service providers and not be able to maintain adequate service provision.  <b>Risk Owner: Emma Bennett</b> <b>Cabinet Member: Cllr L Leech</b>	Support the people who need us most	16 Red  Target 8 Amber	↔	Risks to sustainability are being mitigated with: <ul style="list-style-type: none"> <li>Robust outbreak management processes</li> <li>Robust vaccination plans for residents in care settings and those receiving home care</li> <li>Ongoing enhanced support to providers</li> <li>Use of the daily provider survey to alert to trigger contact and support if providers report they are having issues</li> <li>Ongoing work local recruitment agencies to ensure that they understand potential demand and how they can support local care homes whilst ensuring that necessary controls are in place.</li> </ul>
7 04/21	<b>Employee Wellbeing</b> There is a potential impact on the health and wellbeing of the Council's staff due to unprecedented levels of service demand and changes to working practices.  <b>Risk Owner: Laura Phillips</b> <b>Cabinet Member: Cllr P Brookfield</b>	Support the people who need us most	12 Amber  Target 8 Amber	↔	Employee well-being continues to be a Council priority, a number of initiatives have been embedded for employees which include (but are not limited to); The Council's Our People Portal, access to mental health first aiders, access to face to face well-being checks and work-outs led by WV-Active, the introduction of Council wide wellbeing leads and the creation of wellbeing pledges.

Risk Ref	Risk title and description	Relighting our city priority	Current Risk Score & Target Score & Appetite	Direction of Travel	Update position
8 4/21	<b>WV Living</b> There is potential for significant reputational and financial risk to the Council as a result of the financial impacts on WV Living as a result of Covid-19  <b>Risk Owner: Claire Nye</b> <b>Cabinet Member: Cllr I Brookfield</b>	Stimulate vibrant high streets and communities	Not applicable	Not applicable	This risk has now been de-escalated from the Strategic Risk Register
9 4/21	<b>Education Provision</b> There is a risk to the consistent provision of education to all children and young people in Wolverhampton due to Covid-19 outbreaks in schools, children and young people not regularly being in school and parents confidence that children are safe in schools due to the pandemic  <b>Risk Owner: Emma Bennett</b> <b>Cabinet Member: Cllr Dr M Hardacre</b>	Create more opportunities for young people	12 Amber  Target 4 Amber	↔	The Council continues to provide a programme of ongoing support to education providers. An education incident management team continues to meet regularly to monitor emerging Covid cases in schools and provide ongoing support to education settings in order to manage outbreaks. Communications to both education settings and to parents to ensure consistent messaging is ongoing. Significant progress has been made to identify the impact of Covid on learning and through this provide local assessments to help leaders to capture the impact and also understand current attainment and rates of progress for a range of pupil groups including Pupil Premium and Special Educational Needs (SEND).
10 4/21	<b>City Wide Regeneration</b> There is a potential impact on the City if the Council do not take effective action to regenerate and repurpose. In addition, there are risks to ongoing Council managed and operated capital projects and programmes in terms of costs, timings and ensuring that original business cases continue to align with the Council's strategic aims.  <b>Risk Owner: Richard Lawrence</b> <b>Cabinet Member: Cllr S Simkins</b>	Stimulate vibrant high streets and communities	12 Amber  Target 8 Amber	↔	With regards to the Council's major capital projects: the strategic pipeline with funding having been secured from Towns Fund, Future High Street Fund, WMCA with further funding bids submitted as part of Levelling Up round 1 submission for CLQ. Regeneration Infrastructure Board (RIB) and Infrastructure for Growth Board (I4G) continue to consider the impacts of COVID-19 and the changes in longer term objectives. In order to mitigate any additional risk a new PMO (Project Management Office) is being established to co-develop and implement projects across all funding sources. The PMO function will support and complement existing activities and resources to ensure successful project delivery and implementation. The Covid reporting protocol is ongoing and continues to identify, monitor and mitigate risks and issues directly related to Covid-19. Covid risk reports are produced on a regular basis and reviewed by Senior Management. The Council is pro-actively working with partners and stakeholders to mitigate risk and continue operations in accordance with Government guidelines.
11 4/21	<b>Recovery</b> If the Council's 'Relight' recovery planning is not robust the Council and the City will not recover swiftly resulting in an inability to fulfil key priorities and support residents and businesses effectively, resulting in significant financial and/or reputational damage.  <b>Risk Owner: Charlotte Johns</b> <b>Cabinet Member: Cllr I Brookfield</b>	All	12 Amber  Target 8 Amber	↔	Full Council approved the 'Relighting Our City' strategy on the 16 September 2020, the framework sets out five priority areas for recovery alongside three thematic cross cutting principles. The plan was developed after extensive engagement with our partners and communities, a mechanism is in place through a digital engagement platform to ensure we have an ongoing dialogue with communities around recovery in the coming months. Work to shape our future economic priorities with key partners across the city has also continued. A robust governance structure to oversee the recovery phase has been established including a city Recovery Co-ordinating Group. Regular reporting to the Strategic Executive Board and elected members is ongoing.
12 4/21	<b>Rising Unemployment</b> The impact of Covid-19 on businesses and industries across the City will result in more unemployment.  <b>Risk Owner: Richard Lawrence</b> <b>Cabinet Member: Cllr S Simkins</b>	Create more jobs and learning opportunities  Support the people who need us most	20 Red  Target 16 Red	↔	The Council are continuing to monitor levels of unemployment across the City. Recent figures have identified that the City has moved from being 5th highest unemployment in the UK in October 2020 to 7th highest in July 2021. Young people (18 – 25) and the over 55s have been particularly affected. The City now has the second highest rate in the country for youth unemployment (July 2021). The Council's Wolves at Work Team, along with other providers, has started delivery in the City of the Restart Scheme, the Government's new welfare to work programme. Delivery of the Restart Scheme will be initially from the City Centre and Bilston Town Hall, as referrals are coming from those Job Centres. The programme provides employment support to those who have been unemployed for 12 to 18 months (since the start of the pandemic), to help them into sustainable work. The Impact (youth employment support) Team and Connexions (careers service) will start delivery from the Youth Hub, within The Way building in the City Centre from September 2021.
13 4/21	<b>Information Governance</b> If the Council does not put in place appropriate policies, procedures and technologies to ensure the handling and protection of its data is undertaken in a secure manner and consistent with relevant legislation then it may be subject to regulatory action, financial penalties, reputational damage and the loss of confidential information.  <b>Risk Owner: David Pattison</b> <b>Cabinet Member: Cllr P Brookfield</b>	Support the people who need us most	8 Amber  Target 4 Amber	↔	The score of this risk remains the same as new ways of working are continuing to be embedded. Information governance implications are being considered as part of new ways of working with Relight Our Council. Information Governance mandatory training uptake is being progressed and monitored. Information governance continue to ensure that key documentation such as Teams User Guides and working from home guidance is reviewed and available for. The Council's Information Governance Team continue to work closely with the Projects and Programmes team to ensure that information governance implications are taken into account across all work streams.



Risk Ref	Risk title and description	Relighting our city priority	Current Risk Score & Target Score & Appetite	Direction of Travel	Update position
14 4/21	<b>MTFS</b> If the Council does not manage the risks associated with the successful delivery of its medium term financial strategy including the continual review of the assumptions and projections of the strategy including the impact of Covid-19 and, the effective management of the key MTFS programmes a then this may exhaust reserves, result in the potential loss of democratic control and the inability of the Council to deliver essential services and discharge its statutory duties.  <b>Risk Owner: Claire Nye</b> <b>Cabinet Member: Cllr I Brookfield</b>	All / Our Council	<b>20 Red</b>  Target 12 Amber	↔	On 17 February 2021, it was reported to Cabinet, that including the projected impact of Covid-19, the Council was faced with a budget deficit of £25.4 million in 2022-2023, rising to £29.6 million by 2023-2024. On 28 July 2021 Cabinet received an update on the draft budget strategy for 2022-2023. It was reported that whilst we continue to operate with the uncertainty of the pandemic, work had been undertaken to map out the draft budget strategy for 2022-2023. The proposals outlined in the report go a long way to enabling the Council to set a balanced budget for 2022-2023, however, these proposals provide a short-term plan and do not address the underlying budget deficit over the medium term. The estimated budget deficit for 2023-2024 onwards is in the region of £25 million.
15 4/21	<b>Cyber Security</b> Failure to maintain a high level of cyber security (technology, processes and awareness) throughout the Council may result in cyber-attacks and theft or loss of confidential data leading to financial penalties, reputational damage and a loss in public confidence.  <b>Risk Owner: Charlotte Johns</b> <b>Cabinet Member: Cllr O Ahmed</b>	Support the people who need us most	<b>Amber 8</b>  Target 6 Amber	↔	ICT continue to deploy security enhancements across the infrastructure to further improve security, key activity undertaken includes: <ul style="list-style-type: none"> <li>• Implementation of multi factor authentication</li> <li>• Conditional policies which prevent access to the Council's network on personal devices unless it is via the internet.</li> <li>• Amending council's password policy to move to passphrases.</li> <li>• Implementation of Windows Defender Advance threat protection, User risk detection and mitigation.</li> </ul> The council has also achieved external accreditation of its security, through achievement of Cyber Essentials Plus and PSN compliance.
16 14/21	<b>Civic Halls</b> There is a significant reputational and financial risk to the Council and to the City's wider visitor economy if the revised Civic Halls refurbishment programme is not effectively managed in terms of project timings, costs and scope.  <b>Risk Owner: Richard Lawrence</b> <b>Cabinet Member: Cllr S Simkins</b>	Stimulate vibrant high streets and communities	<b>12 Amber</b>  Target 8 Amber	↔	In conjunction with professional advisors, rigorous examination of contacts to ensure continuing compliance is ongoing. In preparation for opening in 2022 and the recommencement of commercial events (subject to Covid restrictions and national guidance), work is continuing with the preferred operator to enter into a long-term partnership with the council to operate the Civic Halls. The preferred operator will bring forward exciting and ambitious plans for the venue with bigger and better acts and events. Plans will also benefit local businesses, see new jobs created and raise the city's profile.
17 4/21	<b>Climate Change</b> Failure to achieve the Council's commitments in relation to Climate Change, including the pledge to make Council activities net-zero carbon by 2028 may result in significant reputational damage and a loss in public confidence.  <b>Risk Owner: Ross Cook</b> <b>Cabinet Member: Cllr S Evans</b>	Stimulate vibrant high streets and communities  Support the people who need us most	<b>6 Amber</b>  Target 3 Green	↔	The Council's Climate Change Action Plan was approved by Cabinet in July. The action plan clearly sets out all activity needed to meet the Council's net zero ambitions by 2028 as well as setting out the framework for the 2041 target for the whole City. Further work is now being undertaken to identify the resources needed on any specific actions, and this will be monitored and reviewed in the coming months.
18 8/21	<b>Adult Social Care Provision and Social Work/Occupational Therapy</b> There is a risk that staff in provider services, frontline Social Work and Occupational Therapy will not be able to carry out their roles if they do not comply with mandatory vaccination guidance.  <b>Risk Owner: Emma Bennett</b> <b>Cabinet Member: Cllr Leach</b>	Support the people who need us most	<b>12 Amber</b>  Target 6 Amber	New Risk	There is a risk that recent government guidance and a change in the law regarding the mandatory vaccination of care home employees, could negatively impact on providers delivering services, (staff may leave or be dismissed if non-compliant). The vaccination guidance states that Social Care Workers and Occupational Therapists cannot enter a care home if not double vaccinated – this could pose a risk to the Council's ability to carry out statutory Care Act functions that require care home entry, if uptake of the vaccine does not increase.  The following actions are ongoing to greater understand and mitigate this risk: <ul style="list-style-type: none"> <li>• Surveying of all care homes to establish potential impact(s).</li> <li>• Regular review of vaccination levels.</li> <li>• Regular communications with care homes and to employees.</li> <li>• Promotion of vaccination bus and walk in clinics, Q&amp;A sessions and webinars.</li> <li>• Targeted sessions with Public Health</li> <li>• Understanding the potential impact to capacity if homes reduce beds in line with staff (current there are surplus vacancy levels to meet needs).</li> <li>• Sharing findings with regional bodies and organisations.</li> </ul>
19 8/21	<b>Related Parties</b> The Council has a number of bodies that it either owns or has a potential liability for. There is a risk that poor performance of these bodies could adversely impact on the Council both financially and reputationally.  <b>Risk Owner: Claire Nye</b> <b>Cabinet Member: Cllr I Brookfield</b>	All	<b>12 Amber</b>  Target 8 Amber	New Risk	Regular monitoring of the related parties is undertaken, and monthly reports are provided to the Executive Team.  The Annual Governance Statement incorporates our related parties and an update will be provided to Audit and Risk Committee every 6 months.  A detailed financial review of each company was undertaken as part of the preparation of the Statement of Accounts, this included the going concern position of each party. It was concluded that there is currently no material financial impact on the Council.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 27 September 2021
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Agenda Item No: 6

**Report title** Internal Audit Update – Quarter 1

**Accountable director** Claire Nye, Finance

**Accountable employee** Peter Farrow      Head of Audit  
Tel      01902 554460  
Email      [peter.farrow@wolverhampton.gov.uk](mailto:peter.farrow@wolverhampton.gov.uk)

**Report to be/has been considered by** Not applicable

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**Recommendations for noting:**

The Audit and Risk Committee is asked to note:

1. The contents of the latest internal audit update as at the end of quarter one.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on the progress made against the 2021-2022 internal audit plan and to provide information on recent work that has been completed.

## **2.0 Background**

- 2.1 The internal audit update report as at 30 June 2021 (quarter one) contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform, the overall opinion in our annual internal audit report issued at the year end. It also updates the Committee on various other activities associated with the internal audit service.

## **3.0 Progress, options, discussion, etc.**

- 3.1 Quarterly internal audit update reports will continue to be presented to the Committee throughout the year.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report. [GE/13092021/O]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report. [TC/17092021/F]

## **6.0 Equalities implications**

- 6.1 There are no equalities implications arising from the recommendation in this report.

## **7.0 All other implications**

- 7.1 There are no other implications arising from the recommendations in this report.

## **8.0 Schedule of background papers –**

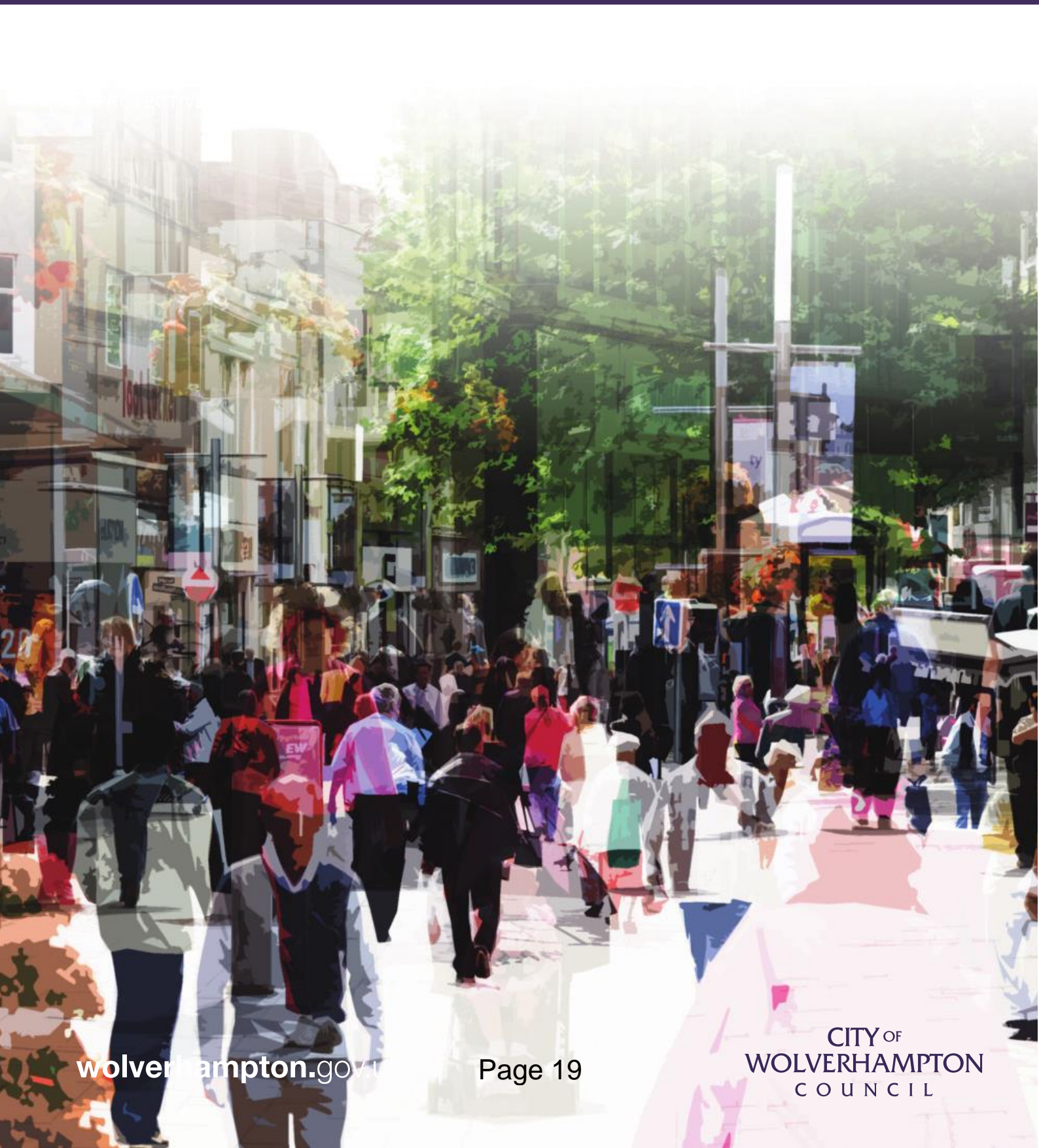
- 8.1 None

## **9.0 Schedule of appendices**

- 9.1 None

# Appendix 1 - Internal Audit Update Report 2021-2022

[NOT PROTECTIVELY MARKED]



## 1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2021-2022 internal audit plan.

The Audit and Risk Committee has a responsibility to review the effectiveness of the system of internal controls and also to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control, and governance. This work update provides the committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

The information included in this progress report will feed into, and inform, our overall opinion in our internal audit annual report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

## 2 Internal Audit Plan Update

Reports were presented to the Council's Audit and Risk Committee during the previous financial year, which updated the Committee on how Covid-19 had impacted the Council's internal audit plan. These reports explained how a proportion of the audit resources had been temporarily redeployed to other areas of the Council's business to provide assistance in a number of other areas including the food distribution hub, the various business support grants team, assisting Procurement with supplier due diligence checks regarding the supply of personal protective equipment (PPE) and other Covid-19 related grant assurance.

Since these reports were presented to the Committee, members of the team have continued to support areas of the business with existing grant schemes that are still live. Whilst the team continued to support the Council in these areas, a number of audits were completed during quarter one, details of which are included under section three of this report.

It should be further noted that during quarter one a number of audits carried over from the previous year were completed. The majority of which were included in the annual report presented to the Committee on 26 July 2021. From quarter 2 onwards, the audit cycle is now returning to more normal practice.

### 3 Summary of audit reviews completed

The following audit reviews were completed by the end of the first quarter of the current year.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
2020-2021 Audits							
Adult Education External Funding	Medium	-	1	2	3	3	Satisfactory
ConnectED – Supervisory Compliance	Medium	-	2	5	7	7	Satisfactory
Reported this quarter for the first time:							
Co-ordination and Monitoring of School Financial Value Standard (SFVS) Returns	Medium	-	-	-	-	-	N/A
2020-2021 Senior Officer Remuneration	High	-	-	-	-	-	N/A
Early Years Grant Arrangements	Medium	-	1	5	6	6	Satisfactory
Children's Residential Homes – Employee Working Hours	Medium	3	3	1	7	7	Limited
2020-2021 Bad Debt Review	Medium	-	-	-	-	-	N/A

Key: AAN Assessment of assurance need.



#### 4 On-going assurance where reports are not issued

It is a requirement of the Internal Audit Charter that Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement. Therefore, should any reviews be conducted on the below, then they will be led by another member of the audit team.

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Project/Programme	Was this in the original plan?	Audit Service's Role
Pay Strategy	Yes	A member of the team sits on the Council's Pay Strategy Board. The purpose of the board is to ensure that all requests in respect pay and grading is approved in accordance with the Council's Collective Agreement for NJC employees.
Project Assurance Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that all of the Council's projects and programmes, recorded through the Verto system, are reviewed and scrutinised.
Business Support Programme	Yes	A member of the team sits on the Board in the capacity of providing advice and support. The programme's main objective is the centralisation of administration within the Council.
City Learning Quarter Programme	Yes	Audit Services have been invited to provide an assurance role for the programme. This is a major capital investment project which has a reputational risk to the Council.
Agresso Board	Yes	A member of the team sits on this Board to oversee the on-going development of the Council's enterprise resource planning (ERP) solution.
Children's Transformation Board		A member of the team attends the Board and provides support and assurance on project management arrangements and specific audit issues. This also includes advice and support on the implementation of the new Eclipse management information system.

Project/Programme	Was this in the original plan?	Audit Service's Role
Transform Adult Social Care Programme	Yes	A member of the team attends the Board to provide support and assurance on project management arrangements and specific audit issues.
Strategic Transport Asset Group	Yes	A member of the team is involved in this group. The purpose of the group is to ensure that business cases submitted by business areas for vehicles and equipment replacement are reviewed and assessed prior to approval, as well as addressing future Council Fleet requirements and climate targets for a cleaner environment and reduction in carbon emissions, and future use of electric / hybrid vehicles.
Civic Halls Operational Board	Yes	A member of the team is a representative on this group. The purpose of the board is to oversee the operational delivery of the Civic Halls full refurbishment.
Infrastructure for Growth Board	Yes	The purpose of this group is to oversee the strategy of regeneration projects across the city to ensure there is a co-ordinated joined up approach. A member of the team is present on this board to provide support and assurance around governance.
Our Assets Board	Yes	A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Local Fibre Network Programme Board	Yes	The purpose of this Board is to oversee the implementation and roll-out of a new fibre network across the city, which will enable superfast broadband. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Art Gallery Improvements Scheme Board	Yes	The purpose of this Board is to provide a strategic overview of the building improvements to the City's Art Gallery. A member of the team attends the Board to provide support and assurance on project management arrangements and any specific audit issues.
Adult Eclipse Project Board	Yes	A member of the team will attend the Board to provide support and assurance on project management arrangements for the new Eclipse management information system and any specific audit issues.
Business Improvement Programme Boards	Yes	The purpose of these boards is to drive through service improvements in selected areas of the Council. Audit's role on these boards is provide assurance around governance and risk, as well as addressing any particular audit issues.



## 5 *Counter Fraud Activities*

The Audit Service's team investigate all allegations of suspected fraudulent activity, during the year. Details of these will be presented to the Audit and Risk Committee in a separate report, along with details of initiatives put in place in order to both raise awareness of, and tackle fraud across the Council.

## 6 *Audit reviews underway*

There were a number of reviews underway at the end of quarter 1 and these will be reported upon in future update reports.

## 7 *Summary of issues from Q1 reviews*

### **Children's Residential Homes – Employee Working Hours**

The service area requested this review in order to ensure employees working in both the Council's children's residential accommodation establishments were complying with the working time regulations. Our review identified a number of areas of non-compliance in terms of employees working on average over 48 hours per week without obtaining the necessary opt-out agreements, insufficient rest periods being taken between shifts and scope for improving the monitoring records in place in order to aid managers in monitoring compliance with the regulations.

However, whilst these non-compliance issues were identified, it is important to stress that the resourcing of residential homes was impacted by staff absences during Covid-19 and that residential homes also need to be managed in accordance with the Children's Home Regulations (England) 2015, which restricts the ability to use agency staff to that of no more than 50% within residential home duties, while also ensuring that the care needs of the children were met.

As a result of our findings Audit Services are working with the service area to ensure they have the appropriate arrangements in place to manage the service in accordance with the working time regulations.

## 8 *Follow-up of previous recommendations*

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit and Risk Committee.

## 9 *Changes to the Audit Plan during the year*

Based on the current position there are no proposed changes to the plan that require reporting during this quarter.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> <b>27 September 2021</b>
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<b>Report title</b>	Audit and Risk Committee Annual Report – 2020-2021	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	SEB	9 September 2021

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**Recommendation for decision:**

The Audit and Risk Committee is recommended to:

1. Endorse the Audit and Risk Committee Annual Report for 2020-2021 and refer it to Full Council for approval.

## **1.0 Purpose**

- 1.1 This report summarises the main areas of work undertaken by the Audit and Risk Committee during 2020-2021.

## **2.0 Background**

- 2.1 The purpose of the Audit and Risk Committee is to provide independent assurance on the adequacy of the risk management framework and the internal control environment. It provides an independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

## **3.0 Progress, options, discussion**

- 3.1 The Audit and Risk Committee will continue to receive regular assurance reports throughout the year.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report.  
[GE/13092021/M]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report.  
[TC/14092021/B]

## **6.0 Equalities implications**

- 6.1 There are no equalities implications arising from the recommendation in this report.

## **7.0 All other implications**

- 7.1 There are no other implications arising from the recommendations in this report.

## **8.0 Schedule of background papers**

- 8.1 Audit and Risk Committee – Annual Report

## **9.0 Schedule of appendices**

- 9.1 To follow.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> 27 September 2021
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<b>Report title</b>	CIPFA Audit Committee Update	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Originating service</b>	Audit	
<b>Accountable employee</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The contents of the latest CIPFA Audit Committee Update which has a focus on supporting improvements to risk management arrangements, defining the relationship between the audit committee and the scrutiny function, new consultation on local audit and audit committee arrangements and a regular briefing on current issues.

## **1.0 Purpose**

- 1.1 The Chartered Institute for Public Finance and Accountancy (CIPFA) issue regular briefings for audit committee members in public sector bodies. Their aim is to provide members of audit committees with direct access to relevant and topical information that will support them in their role.

## **2.0 Background**

- 2.1 The latest edition of these briefings has a focus on supporting improvements to risk management arrangements, defining the relationship between the audit committee and the scrutiny function, new consultation on local audit and audit committee arrangements and a regular briefing on current issues.

## **3.0 Progress, options, discussion**

- 3.1 Further CIPFA updates will be brought before the Audit and Risk Committee, as and when they are published.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report.  
[GE/13092021/Q]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report.  
[TC/17092021/G]

## **6.0 Equalities implications**

- 6.1 There are no equalities implications arising from the recommendation in this report.

## **7.0 All other implications**

- 7.1 There are no other implications arising from the recommendations in this report.

## **8.0 Schedule of background papers**

- 8.1 CIPFA Audit Committee Update  
This document contains some information which is copyrighted and cannot be made readily available. However, to comply with the spirit of the Freedom of Information Act, should you require details of the report it may be possible to give you access to certain information. If you wish to do that, please contact the accountable employee as detailed above.

**9.0 Schedule of appendices**

9.1 Appendix A - CIPFA Audit Committee Update.

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# Audit Committee Update

Helping audit committees to be effective

**Issue 35**

**July 2021**

**Supporting improvements to risk management arrangements**

**Defining the relationship between the audit committee and the scrutiny function**

**New consultation on local audit and audit committee arrangements**

**Regular briefing on new developments**



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## Introduction

Dear audit committee member,

Welcome to the latest issue of audit committee update from the CIPFA Better Governance Forum. This resource aims to support audit committee members in their role by helping to keep them up to date.

In the latest issue, we address several themes. Firstly there is a focus on risk management and the support that the audit committee can provide for improving local arrangements. Secondly there is a review of the differences between the work of the audit committee and scrutiny and opportunities to work together. Finally there is an update on the new consultation launched by the Ministry of Housing, Communities and Local Government on local audit and audit committees.

The remainder of this issue focuses on keeping you up to date with our regular briefing covering recent reports and guidance.

Overall, I hope you will find this issue interesting, informative and helpful in your work on the committee.

Best wishes,

Diana Melville

CIPFA Better Governance Forum.

## Sharing this document

Audit Committee Update is provided to subscribers of the Better Governance Forum for use within their organisations. Please feel free to circulate it widely to your organisation's audit committee members and colleagues. It can also be placed on an intranet. It should not be shared with audit committee members of organisations that do not subscribe to the Better Governance Forum or disseminated more widely without CIPFA's permission.

Audit Committee Update is covered by CIPFA's copyright and so should not be published on the internet without CIPFA's permission. This includes the public agendas of audit committees.

## Receive our briefings directly

A link to this briefing will be included in the newsletter for subscribers to the CIPFA Better Governance Forum. It can then be shared with that organisation's audit committee members.

If you have an organisational email address (for example [jsmith@mycouncil.gov.uk](mailto:jsmith@mycouncil.gov.uk)) then you will also be able to register on our website and download any of our guides and briefings directly. To register please visit: [www.cipfa.org/Register](http://www.cipfa.org/Register).

# Webinars and training for audit committee members in 2021 from CIPFA

## Introduction to the Knowledge and Skills of the Audit Committee

Provisional dates for this are:

- [8 and 9 September \(morning only\)](#)

## Introduction to the Knowledge and Skills of the Police Audit Committee

Provisional dates for this are:

- [15 and 16 September \(morning only\)](#)

## Update for Police Audit Committee Members

This webinar is suitable for members of the joint audit committees supporting police and crime commissioners (PCCs) and chief constables. It is run in conjunction with CIPFA's Police and Fire Network. Provisional date October 2021

## Update for Local Authority Audit Committee Members

This webinar will provide an update for local authority audit committee members on the annual governance statement for 2020/21. Provisional date December 2021/January 2022.

Full programme details and booking information for webinars in 2021 will be announced later in the year and will be available on the [CIPFA website](#) in due course.

## In-house training, facilitation and evaluation of your audit committee

In-house training, webinars and guidance tailored to your needs are available. Options include:

- key roles and responsibilities of the committee
- effective chairing and support for the committee
- working with internal and external auditors
- Public Sector Internal Audit Standards
- corporate governance
- strategic risk management
- value for money
- fraud risks and counter fraud arrangements
- reviewing the financial statements
- assurance arrangements
- improving impact and effectiveness.

We can also undertake an effectiveness review of the committee, providing feedback on areas the committee can improve on and supporting the development of an action plan.

For further information, email [diana.melville@cipfa.org](mailto:diana.melville@cipfa.org) or visit the [CIPFA website](#) for further details on the support we have available for audit committees.

# Supporting improvements to risk management arrangements

## How the audit committee can help

One of the 'lessons learned' from the experience of the last year in many organisations is that there is merit in making changes and improvements to their risk management arrangements. Oversight of the overall effectiveness of risk management arrangements is firmly within the terms of reference of the audit committee. It is an area where there should be assurance over arrangements through the annual governance review and from the head of internal audit's annual opinion. In addition those directly responsible for risk management are likely to report to the audit committee with their evaluation of effectiveness and any action plan to make improvements.

## The experience of the pandemic on risk management

The Better Governance Forum held two discussion groups with members in April 2021 to discuss the experience of the pandemic and what it meant for risk management. The detailed results of the discussions are available in a [briefing](#) to download. The groups discussed how their arrangements had fared in supporting the organisation's management through the pandemic. The paper contains a summary of the findings identifying strengths and also areas for improvement.

There was a range of experience amongst those taking part. Some felt that the risk arrangements that they had put in place and the investment made to improve understanding of risk throughout the organisation had proved their worth during the pandemic. In other organisations, systems to manage risk were not adequate and a poor understanding of risk amongst the leadership team did not help decision making in a crisis.

## Improving your risk management arrangements

As an audit committee member you should have a good understanding of how risks are being identified and managed within the organisation. You should also understand the strengths and weaknesses of these arrangements. If you are new to the committee, ask if there is an annual report from the lead officer responsible for risk management or speak to the nominated risk champion amongst the councillors or governing body. Information should also be available through the annual governance statement and from internal audit. Your external audit reports may also include commentary as part of their assessment of your overall governance. Your organisation may take part in benchmarking of its risk management arrangements or undertake a risk maturity assessment. These conclusions should be reported to the committee in some form.

If a lessons learned review has been undertaken or is planned, then that will be helpful for the audit committee to see. It will be a source of assurance on the adequacy of the organisation's controls and governance. If there are significant areas for improvement that are within the remit of the committee, it would be appropriate to receive updates on action plans as they progress.

In respect of risk management, be guided by the organisation's own evaluation, but from the experience of other organisations possible areas for improvement could include:

- A change or improvement of the IT system used to capture risk information and provide management information.
- Further investment in staff training, plus training for those in governance positions, to improve understanding of risk and improve the quality of risk information.
- Reviewing arrangements for the governance of risk; for example, creating or raising the importance of a central group to review risk information, or improving the leadership of risk.
- Improving links between the risk management processes and other policies and plans to ensure better integration.
- Improving the effectiveness of risk monitoring and action tracking to ensure that risks are being actively managed.

Support from the audit committee for planned improvements to risk management arrangements will be important for their success. The committee can provide constructive challenge when they review and monitor action plans. They can also help to raise the profile of risk management, particularly among fellow members of the governing body.

## Conclusions

For a public body having effective risk management arrangements in place is essential. To achieve its objectives efficiently and effectively, the organisation will need to have a good understanding of both risk and opportunities, and the means to manage them. Having good insight on the adequacy of your arrangements is a necessary step for an audit committee. The experience of going through the pandemic has brought the adequacy of arrangements into sharp focus and many organisations will have areas they wish to improve on. The audit committee can play its part to provide support and challenge to the risk management function.

## Key questions for the committee

Questions to discuss with lead officers and members responsible for risk management:

1. Are our risk management arrangements adequate and effective?
2. What assurances do we have to inform that conclusion? Examples could include:
  - a. Internal audit report
  - b. Annual self-assessment by a corporate risk group
  - c. Evidence from a risk maturity assessment or benchmarking exercise
  - d. Review by the organisation's insurance advisors
  - e. Commentary by external auditors.
3. Is there an action plan to improve our risk management arrangements? Will updates be brought to the committee?
4. What were the key lessons learned from the pandemic?

**Diana Melville**

**Governance Advisor, CIPFA**

## Defining the relationship between the audit committee and the scrutiny function

In councils the audit committee operates alongside scrutiny. Depending on the constitution of the council, scrutiny can operate in different ways. Within the cabinet model there may be one or more dedicated scrutiny committees that focus on core policy areas of the council. Alternatively scrutiny will take place within service committees. Scrutiny is major way for elected councillors who are not in leading roles to review policy and contribute to its development.

Distinguishing the audit committee role from that of scrutiny can be difficult, even where the committees are not combined into one. The CIPFA guidance [Audit Committees: Practical Guidance for Local Authorities and Police](#) does recommend that the two roles are not combined and that there should be a dedicated audit committee. The key difference between the two is that scrutiny has a focus on policy: its development, its performance and its effectiveness. The audit committee will focus on the enablers that support policy decision making and its implementation, ie governance, risk management and internal control arrangements.

Scrutiny arrangements are usually political and can present robust political challenge to the administration. One of the key characteristics of an audit committee is that it should be resolutely non-political. Another difference is the approach to performance. Scrutiny is likely to be playing an active role in monitoring the performance of the council, including financial performance. While a scrutiny committee might focus on the performance in the year against the budgeted income and expenditure, the audit committee will focus on the framework of financial management and robustness of financial control arrangements.

### Audit and scrutiny working together

While the committees should be separate and have different roles, there are opportunities for collaboration where their separate responsibilities intersect. These areas have been explored recently in a briefing from the Centre for Governance and Scrutiny, [Audit Committees and Scrutiny Committees: Working Together](#). The briefing was prepared with reference to the CIPFA guidance and CIPFA provided comments on the draft to help ensure that it was consistent.

Possible areas for collaboration could include risk management and value for money. Scrutiny and the audit committee would focus on their separate responsibilities, but an awareness of the output and work programme of each other can inform plans and avoid duplication. There may be occasions where the audit committee will make a recommendation to a scrutiny committee. An example of how this might occur is set out below.

An internal audit report on a major service area has concluded with a 'limited' assurance rating. One of the main areas of weakness identified was poor performance levels from outdated delivery methods. To inform the policy review being taken forward by the head of service, the audit committee recommends that the appropriate scrutiny committee should consider contributing to the development of a new policy and approach.

In the example above the audit committee fulfils its responsibilities by receiving the internal audit report and supporting an appropriate response to the issues raised by the auditors.



Scrutiny can play its part by taking forward performance oversight and policy development in respect of the service area.

### How effective is scrutiny?

When the audit committee reviews the annual governance statement it should be aware of the effectiveness of the council's scrutiny arrangements. Having effective scrutiny arrangements is one of the criteria underpinning the principles of good governance:

“It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.”

[Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016)

To support effective scrutiny there are frameworks in place to support review; for example, the Centre for Governance and Scrutiny produce a [Scrutiny Self-evaluation Framework](#). Where scrutiny is weak it can be a contributing factor to, or even a symptom of, wider governance issues within the council. The audit committee should support improvement across the organisation's wider governance arrangements.

### Conclusion

Both the audit committee and scrutiny function have vital roles to play in the governance of the council, but they are separate and distinct roles. They can and should work together to help secure improvements but should be careful not to duplicate or overlap. Supporting and encouraging effective scrutiny arrangements will reinforce good governance.

**Diana Melville**

**Governance Advisor, CIPFA**

## Summer update on local audit and new consultation

In May the Ministry of Housing Communities and Local Government (MHCLG) issued a [spring update](#) on progress against the Redmond Review recommendations. In July a further [update](#) has been issued including consultation questions on:

- strengthening the effectiveness of audit committees in English local government
- the role of the Audit Reporting and Governance Authority (ARGA) in providing system leadership over local audit
- addressing concerns about auditor training and supply
- the local audit of smaller bodies.

This briefing will focus on the main points directly relevant to the audit committee.

Audit committee members new to the role may be unfamiliar with the Redmond Review and the recommendations. It is of direct relevance to the work of the committee and earlier issues of [Audit Committee Update](#) would provide helpful background:

- Issue 29: External Audit Arrangements for English Local Government Bodies
- Issue 30: Responding to the Redmond Review: Results of CIPFA's Survey on Audit Committees
- Issue 31: Focus on Local Audit
- Issue 33: Update on the Redmond Review

## Enhancing the governance for responding to local audit findings

### Audit committees – background

The Redmond Review commented that local government bodies were not always effective in their response to the findings of the local auditors. In particular, it highlighted the mixed experience of audit committees within councils and reporting relationships between the committee and full council. Specific recommendations included:

- an annual report submitted to Full Council by the external auditor
- consideration given to the appointment of at least one independent member, suitably qualified, to the audit committee.

MHCLG accepted the recommendations and established a working group to consider how the recommendations could best be taken forward. The group included CIPFA, the LGA, Public Sector Audit Appointments (PSAA), MHCLG and the Home Office, as well as the NAO in an observer capacity.

### Audit committees – action to take now

Following on from the work of the group, MHCLG has recommended that local authorities should review the existing structure of their audit committees to consider whether their arrangements support effectiveness. They should use the existing CIPFA Position Statement and supporting publication, *Audit Committees: Practical Guidance for Local Authorities and Police* (2018) to support their review. Key aspects to consider include:

- a. Whether the committee is dedicated to the functions of an audit committee and not combined with other responsibilities such as scrutiny.
- b. Whether the committee reports directly to full council.
- c. Whether the size and make-up of the committee supports its effectiveness.

- d. The number and role of the independent member or members and whether new or additional independent members are required. The department would recommend the inclusion of at least one independent member, but more than one may be helpful.

When seeking to take on new or additional independent members the authority should take into account the knowledge and expertise required to complement the existing committee members.

### Guidance for audit committees

While guidance is already available, MHCLG has recommended that it be strengthened and updated to support effective audit committee arrangements. The consultation asks for comments on this proposal and whether it is agreed. The updated guidance is likely to include the following:

- structure
- role of independent members
- how the committee interacts with full council
- reporting to those charged with governance
- core functions
- knowledge, expertise and training of audit committee members
- facility to meet privately with auditors.

### Longer term improvement of the audit committee

Currently the expectation that local bodies should have proper arrangements in place for their audit committee is reinforced by the new 2020 Code of Local Audit Practice, specifically the review of governance arrangements in the value for money commentary. There is a consultation question on whether this is sufficient or whether the department should take further steps towards making the committee a statutory requirement.

### Reporting to full council/those charged with governance

MHCLG is proposing to amend the Accounts and Audit Regulations so that the full council should receive the auditor's annual report from the local auditor. The purpose of this is to improve transparency to the public and ensure all members are aware of issues raised by the auditor and recommendations. It is also proposed that it is accompanied by a report from the audit committee containing its responses to the auditor's annual report.

### Internal audit

In his report Sir Tony commented on the value of internal audit within local government bodies. The department agrees with him, and in the statement emphasises to local government bodies the importance of operating in accordance with the requirements of the Accounts and Audit Regulations 2015 to ensure effective internal audit. It encourages the NAO to consider more reference to internal audit in its own guidance to local auditors.

### Other matters in the consultation

This briefing has focused on the matters directly impacting on the audit committee, but there are other consultation questions that are also of interest for the committee. Understanding the role and responsibilities of the system leader for local audit is relevant and the specific questions should be considered. For example, there are questions concerning the annual report content from the system leader and future reviews of the Code of Audit Practice. In addition, all stakeholders have an interest in the stability of the local audit market and the

availability of adequately experienced auditors. These will have consequences for future procurement arrangements.

## **Responding to the consultation**

While some of the audit committee issues are particularly relevant for councils, the consultation questions potentially apply across all local government bodies. The consultation does encourage a wide response from all authorities.

The consultation was published on 28 July with a response time of eight weeks. CIPFA will be responding to the consultation and would encourage all local government bodies in England to respond too.

**Diana Melville**

**Governance Advisor, CIPFA**

# Recent developments you may need to know about

## Reports, recommendations and guidance

### Local auditor reporting on local government in England

The National Audit Office has published a report, [Timeliness of local auditor reporting on local government in England, 2020](#) on the local audit system. This has been followed up by a report from the Public Accounts Committee, [Local auditor reporting on local government in England](#). The report describes the system of local government audit as being close to “breaking point”.

### Guidance for audit committees on cloud services

The guidance provides an overview of cloud services and outlines government policy on their use. It then sets out specific questions for audit committees to consider asking when engaging with their management. [National Audit Office](#)

### Climate and sustainability reporting

In a new research report, [Evolving Climate Accountability: A Global Review of Public Sector Environmental Reporting](#), CIPFA has identified that more than half of public sector organisations do not currently report on their climate impact. It identifies seven key areas for the development of public sector sustainability reporting.

### Initial learning from the government’s response to the COVID-19 pandemic

The report from the [National Audit Office](#) sets out learning across six themes:

- risk management
- transparency and public trust
- data and evidence
- co-ordination and delivery models
- supporting and protecting people
- financial and workforce pressures.

### Fraud and irregularity 2020/21

A report from [Audit Scotland](#) setting out the fraud risks emerging since the start of the pandemic. It also shares information about cases where internal control weaknesses have led to fraud and irregularity.

### Local government in Scotland overview 2021

The [overview report](#) from Audit Scotland examined the impact of COVID-19. It concludes that councils and communities worked well together, but the impacts of COVID-19 were unequal.

### Code of Audit Practice – Scotland

The new code defines the independent audit of public bodies in Scotland. [Audit Scotland](#)

### COVID-19: Local government finance

The [Public Accounts Committee report](#) concludes that the department's over-optimism about the resilience of local government is not matched by the reality. The long-term systemic funding issues in local government mean that sector representatives are clear that most councils will not be able to manage solely using reserves.

### Local authority financial sustainability and the Section 114 regime

The report from the [Housing, Communities and Local Government Committee](#) says that council finances are unsustainable without reform. It also recommends removing powers to appoint their own auditors and suggests a new 'yellow card' for the chief financial officer to use before a S.114 becomes necessary.

### Financial sustainability of local authorities visualisation: update

The [National Audit Office](#) has updated the interactive model showing financial sustainability information for each local authority in England.

### Northamptonshire County Council: lessons learned report

Report from the council's commissioners identifying lessons learned. [Ministry of Housing, Communities and Local Government](#)

### Liverpool City Council: Best Value inspection report

The report identifies failings in governance and control of trading companies. [Ministry of Housing, Communities and Local Government](#)

## Previous issues of Audit Committee Update

You can download all the previous issues from the CIPFA Better Governance Forum website. Click on the links below to find what you need.

Principal content	Link
Please note the content from some earlier issues has been replaced by more recent issues and so they are not listed below.	
<b>Issues from 2012</b>	
Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation	<a href="#">Issue 7</a>
Commissioning, Procurement and Contracting Risks	<a href="#">Issue 8</a>
Reviewing Assurance over Value for Money	<a href="#">Issue 9</a>
<b>Issues from 2013</b>	
Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements	<a href="#">Issue 10</a>
Local Audit and Accountability Bill, the Implications for Audit Committees, Update of CIPFA's Guidance on Audit Committees	<a href="#">Issue 11</a>
<b>Issues from 2014</b>	
Reviewing the Audit Plan, Update on the Local Audit and Accountability Act	<a href="#">Issue 13</a>
<b>Issues from 2015</b>	
What Makes a Good Audit Committee Chair? Governance Developments in 2015	<a href="#">Issue 16</a>
The Audit Committee Role in Reviewing the Financial Statements	<a href="#">Issue 17</a>
Self-assessment and Improving Effectiveness, Appointment and Procurement of External Auditors	<a href="#">Issue 18</a>
<b>Issues from 2016</b>	
Good Governance in Local Government – 2016 Framework, Appointing Local Auditors	<a href="#">Issue 19</a>
CIPFA Survey on Audit Committees 2016	<a href="#">Issue 20</a>
The Audit Committee and Internal Audit Quality	<a href="#">Issue 21</a>
<b>Issues from 2017</b>	
Developing an Effective Annual Governance Statement	<a href="#">Issue 22</a>
2017 Edition of the Public Sector Internal Audit Standards, Risks and Opportunities from Brexit	<a href="#">Issue 23</a>

<a href="#">Issues from 2018</a>	
The Audit Committee Role in Risk Management	<a href="#">Issue 24</a>
Developing an Effective Annual Governance Statement	<a href="#">Issue 25</a>
CIPFA Position Statement on Audit Committees in Local Authorities and Police 2018	<a href="#">Issue 26</a>
<a href="#">Issues from 2019</a>	
Focus on Local Audit, National Audit Office Report: Local Authority Governance	<a href="#">Issue 27</a>
The Audit Committee Role in Counter Fraud	<a href="#">Issue 28</a>
CIPFA Statement on the Role of the Head of Internal Audit External Audit Arrangements for English Local Government Bodies	<a href="#">Issue 29</a>
<a href="#">Issues from 2020</a>	
CIPFA Financial Management Code, Responding to the Redmond Review: Results of CIPFA's Survey on Audit Committees	<a href="#">Issue 30</a>
Compendium Edition: Reviewing the Audit Plan, Self-assessment and Improving Effectiveness, Developing an Effective Annual Governance Statement and Focus on Local Audit	<a href="#">Issue 31</a>
COVID-19 Pandemic – Key Issues for the Audit Committee Regular Briefing on New Developments	<a href="#">Issue 32</a>
The head of Internal audit annual opinion for 2020/21 Update on the Redmond Review	<a href="#">Issue 33</a>
<a href="#">Issues from 2021</a>	
The Annual Governance Statement for 2020/21, Internal audit and external audit working together	<a href="#">Issue 34</a>



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# Audit and Risk Committee

## 27 September 2021

<b>Report Title</b>	Audit Services – Counter Fraud Update	
<b>Accountable Director</b>	Claire Nye	Finance
<b>Accountable employee</b>	Peter Farrow	Head of Audit
	Tel	01902 554460
	Email	peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

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### Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The contents of the latest Audit Services Counter Fraud Update.

## **1.0 Purpose**

- 1.1 The purpose of this report is to provide Members with an update on current counter fraud activities undertaken by Audit Services.

## **2.0 Background**

- 2.1 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Ministry of Housing, Communities and Local Government.

## **3.0 Progress, options, discussion, etc.**

- 3.1 At the last meeting of the Audit and Risk Committee in July 2021, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report.  
[GE/13092021/W]

## **5.0 Legal implications**

- 5.1 Investigations by the Counter Fraud Unit may have legal implications depending upon what action is taken or decided against in respect of those investigations.  
[TC/14092021/A]

## **7.0 All other implications**

- 7.1 There are no other implications arising from the recommendations in this report.

## **8.0 Schedule of background papers**

- 8.1 There is no schedule of background papers.

## **9.0 Schedule of appendices**

- 9.1 Appendix A – Counter Fraud Update.



# Audit Services Counter Fraud Report @ September 2021

## 1 Introduction

The counter fraud agenda is one that continues to hold significant prominence from Central Government who are promoting a wide range of counter fraud activities. The purpose of this report is to bring the Audit and Risk Committee up to date on the counter-fraud activities undertaken by the Counter Fraud Unit within Audit Services.

The Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. This message is made clear within the Authority's Anti-Fraud and Corruption Policy, which states: "The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated, and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council."

## 2 The Counter Fraud Team

The Counter Fraud Team, which sits within Audit Services, is continuing to develop and lead in raising fraud awareness across the Council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity and organises a series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team maintains the Council's fraud risk register, implements the counter fraud plan and leads on the Cabinet Office's National Fraud Initiative (NFI) exercise.

The team also provide a tenancy fraud investigation service to Wolverhampton Homes under a service level agreement.

During the Covid-19 Pandemic members of the Counter Fraud Team in conjunction with colleagues from Finance, Revenues and Benefits, and Audit have supported the due diligence activities undertaken before and after the award of the various support grants introduced by Central Government to ensure the risk of fraud was minimised.

## 3 Counter Fraud Update

### *Counter Fraud Plan*

The latest status of progress against the counter fraud plan is shown at Appendix 1

### *Fraud Risk Register*

The Counter Fraud Team maintains the Council's fraud risk register. The register is used to help identify areas for testing and to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The latest fraud risk register is included at Appendix 2.

### *CIPFA's Annual Fraud and Corruption Tracker Report 2020*

During late 2020 the Council's Counter Fraud Unit submitted the completed annual fraud and error survey response to the Chartered Institute of Public Finance Accountants (CIPFA's). The information contained in the survey was used to produce the National Fraud and Corruption Tracker (CFaCT) report (Appendix 3).

The government estimates fraud costs the public sector at least £40.3bn annually, with £7.3bn of the total being lost in local government.

The CFaCT report identified that in 2019-2020, an estimated 47,000 fraud cases worth £239.4m were detected or prevented by local authorities. Council Tax fraud, such as falsely claiming the single occupancy discount or receiving Council Tax Reduction, was

the most common fraud type with 30,622 cases detected with a total value of £35.9m; disabled parking Blue Badge fraud was second with 7,899 cases and a total value of £6.4m; Housing scams were third with 4,991 cases but were highest by value of fraud at £122.4m, and Business Rates fraud remained the fourth largest area at risk of fraud with 476 cases and a total value of £6.2m.

The report highlights a number of emerging risks. including 460 Adult Social Care cases worth £8.2m, this includes direct payment fraud.

Procurement fraud, such as overcharging and falsely billing for goods and services, is seen as one of the greatest areas of fraud risk but is identified as complex and difficult to detect. The number of procurement fraud cases was 87 with an estimated value of £15m.

The CFaCT report covers the pre-pandemic period but did also gather some initial data regarding the impact of Covid-19 on fraudulent behaviours in local government. These included; claiming Business Support grants from non-eligible empty properties, not being able to complete onsite home visits to accurately assess care needs when determining the level of benefit support and payments, increased mandate fraud attempts due to the relaxation of controls while staff are working from home.

CIPFA recommend that local authorities remain vigilant and determined in identifying and preventing fraud and raising the awareness of fraud risk across all areas of service delivery and all levels of the organisation. In addition, public sector organisations should work together to share information and explore innovative ways to use data. The Council has already identified these issues in the Fraud Risk Register (Appendix 2) with Personal Budgets, Housing Tenancy and Council Tax identified as red risks. The Counter Fraud Plan (Appendix 1) provides more details of the initiatives planned to address these issues and to encourage the sharing of data with other local authorities.

The key survey results for Wolverhampton were:

#### *Comparison of the last two Surveys*

	2018/2019		2019/2020	
Type of fraud and/or error	Cases	Value	Cases	Value £
<b>Tenancy sub-letting</b> (Wolverhampton Homes) – Illegal subletting of properties	8	*£744,000	7	*£651,000
<b>Other tenancy fraud</b> (Wolverhampton Homes) – fraudulent application, succession, abandonment or non-occupation	7 (Note 1)	*£537,000	12	*£432,000
<b>Right to buy</b> (Wolverhampton Homes)	2	*£130,000	1	*£65,000
<b>Social Care fraud</b>	1	£1,000	2	£22,000
<b>Theft</b>	2	£24,500	-	-
<b>Insurance</b>	-	-	1	£1,000



\*The savings figures for tenancy fraud are based on methodology and calculations produced by the Cabinet Office in support of the National Fraud Initiative. The figures include:

- **Social housing tenancy fraud** - Notional £93,000
- **Social housing application fraud** – Notional £36,000
- **Right to Buy fraud** – Notional £65,000

Note 1 - The seven 'Housing Tenancy Other' cases in 2018/19 comprised five at £93,000 and two at £36,000, whereas all the 2019/20 cases came within £36,000.

Action is taken to attempt to recover the value of the fraud and/or error where appropriate.

### *Covid-19 Business Support Grants*

To support Local Authorities in the administration of these grants, the Department for Energy & Industrial Strategy (BEIS) Counter Fraud Function developed a toolkit that included a range of measures that could be used to reduce the risk of fraud and error in these schemes. Where appropriate these tools were used by the Council when assessing each application and prior to payment.

	Upfront low-friction controls										Post-event assurance				
	To establish eligibility using existing data sets	To capture the data fields for upfront controls / and post-event assurance	In applications, disclaimers or contracts	In applications, disclaimers or contracts	In applications, disclaimers or contracts	To identify and verify the individual	To undertake due diligence on the applicant	To undertake due diligence on the applicant	To pay new bank accounts	To pay / long standing bank accounts	To confirm the identity of the individual (post-payment)	To detect fraud (post-payment)	To confirm payees / trace funds	To undertake due diligence on the applicant	To detect fraud in residual risk areas (bespoke to each scheme)
Type of applicant:	Existing data sets	Data specification	Claw back agreements	Fraud clause	Privacy notice	GOVUK Verify	Spotlight	AppCheck	Account verification	Existing bank account data	GOVUK Verify	National Fraud Initiative	Account verification	Spotlight	Data analytics
Individuals	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✗	✓
Businesses	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓	✓
Charities	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓	✓

While BEIS placed an emphasis on speed of payment the Council completed due diligence checks in accordance with the BEIS Counter Fraud toolkit. These checks were designed to reduce the risk of fraud and error in the grant schemes. BEIS also agreed to stand behind any erroneous grant payments subject to Local Authorities taking reasonable and practicable measures to minimise the risk of errors and/or fraud, avoid making payments to those not entitled and to take reasonable and practicable steps to recover any over-payments



## Business Grants Paid April to September 2020

The total number of Small Business Grants, Retail, Leisure and Hospitality Grants and Discretionary Grants paid was:

Small Business Grants paid	3,255	£32,550,000
Retail, Hospitality and Leisure Grants paid	724	£12,620,000
Discretionary Grants paid	296	£2,275,000
<b>Total number of grants paid</b>	<b>4,275</b>	<b>£47,445,000</b>

Following a series of post payments checks on the above 4,275 grants, invoices were raised to recover payment for ineligibility, as follows:

Small Business Grants found to be ineligible and an invoice raised for recovery	24	£255,000
Retail, Hospitality and Leisure Grants found to be ineligible and an invoice raised for recovery	4	£100,000
Discretionary Grants	3	£15,000
<b>Total grants where invoices were raised for recovery</b>	<b>31</b>	<b>£370,000</b>

Of the above 31 invoices thirteen grants have been fully repaid and a further eight part repaid totalling a recovery of £175,000. Recovery action for the remaining invoices is continuing and further progress will be reported to future meetings of this committee.

## Business Grants Paid October 2020 onwards

Since October 2020 BEIS introduced a series of additional local and national restrictions support grants designed to provide financial support to businesses and individuals affected by the ongoing Covid-19 measures. These grants were subject to similar due diligence checks to those applied to the previous rounds of grants and this process will remain a significant piece of work. As at the end of August 2021 the following grants had been awarded.

Total number of grants paid (all types)	10,539	£31,505,000
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To assist with managing the grants awarded since October 2020 the Council has used third party software to manage the application, checking and award process.

Following a series of post payments checks on the above 10,539 grants paid, invoices were raised to recover payment for ineligibility, as follows:

Total Local and National Restrictions Support Grants (all types)	22	£96,700
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Of the above 22 invoices four grants has been fully repaid and a further one part repaid totalling a recovery of £7,300. Recovery action for the remaining invoices is continuing and further progress will be reported to future meeting of this committee.

### **Reporting Potentially Fraudulent Grants**

The Council will continue to complete pre and post payment checks for all grants awarded and take recovery action where necessary. Further action may also be required due to fraudulent activity. It is anticipated that BEIS will provide the Council with further advice and guidance on any recovery or legal action required to be taken.

Grants where an invoice has been raised to recover the payment, plus several other applications where a payment was not made but potential fraud was suspected, have been reported to the National Anti-Fraud Network (NAFN). BEIS has appointed NAFN to collate details of all potentially fraudulent activity in relation to the Covid-19 Business Grants. The information is to be used by Crime Agencies to identify potential criminal activity and organised crime.

#### *National Fraud Initiative Exercise 2020/21*

The Counter Fraud Unit co-ordinates the investigation of matches identified by the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Where matches are identified, the ensuing investigations may detect instances of fraud, over or underpayments, and other errors. A match does not automatically mean there is a fraud. Often there is another explanation for a data match that prompts bodies to update their records and to improve their systems. The NFI exercise also provides assurance to management that systems are working effectively where fraud and error is not present.

The latest NFI exercise commenced in January 2021 and a total of 10,016 matches have been released. Work is progressing to investigate the various categories of matches based on those deemed to be the highest risk. Over 1,100 matches have been processed. As further matches are processed details of the progress made will be brought before the Committee.

#### *Counter Fraud Team - Tenancy Fraud*

During the Covid-19 pandemic the Counter Fraud Team continued to provide a Tenancy Fraud Service. Potential fraud referrals have been recorded and investigated where possible. Due to the restrictions imposed by the lockdown and social distancing measures it has not always been possible to visit premises or to interview suspects. There is also a restriction on the ability to evict tenants from a property

As the Covid 19 restrictions are eased investigations into potential tenancy fraud are being progressed and the results will be reported to future meetings of this committee.

#### *National Anti-Fraud Network Intelligence Notifications*

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. Alerts which either involve suppliers used by the Council or are applicable to all Councils, are notified to appropriate sections of the Council. The most common alerts relate to Covid-19 Business Rates Relief Grant

frauds, Bank Mandate fraud, Council Tax Refund fraud, cyber fraud including ransomware and email interception.

#### *Midland Fraud Group*

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in July 2021 discussions were held on:

- Post verification of Covid-19 grants
- Right to Buy applications
- Business Prosecutions and;
- Other cases of interest.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided Autumn 2019. Next round of training to be planned
	Develop on-line fraud training for staff.	To be refreshed Autumn 2021
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People  On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Autumn 2021
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Autumn 2021
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the Council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going. Latest exercise commenced January 2021
	Complete the annual CIPFA fraud survey.	CIPFA Survey last completed Aug 2020
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting July 2021 next meeting October 2021
	Attend external fraud seminars and courses.	Tackling Fraud Across the Public Sector – November 2020  Annual Counter Fraud and Forensic Accounting

Issue	Action	Timescale
		Conference June 2021  Midland Fraud Forum Conference July 2021
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> <li>CIPFA Code of Practice</li> </ul>	June 2015 (the last time required)
	<ul style="list-style-type: none"> <li>CIPFA Counter Fraud Tracker Survey</li> </ul>	Annually
	<ul style="list-style-type: none"> <li>The former Department for Communities and Local Government – ten actions to tackle fraud against the Council.</li> </ul>	On-going
	<ul style="list-style-type: none"> <li>Consideration of fraud resilience toolkit</li> </ul>	On-going
Identify and rank the fraud risks facing the Council	Manage the Council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the Council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	The Council's Counter Fraud Team provide a tenancy fraud service to Wolverhampton Homes.
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; CIPFA's Annual Fraud Tracker Survey and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Corporate Fraud Group established
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other Councils.	On-going
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established

Issue	Action	Timescale
investigated in accordance with best practice and professional standards.	Manage and co-ordinate fraud investigations across the Council.	As reported back to the Audit and Risk Committee on a quarterly basis
	Implement and update the Council's portfolio of fraud related policies in response to changes in legislation.	Latest version will be presented to the Audit and Risk Committee early in 2022
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the Council's strategic partners.	On-going
	Partnership agreements to include the Council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	City People article – planned for Autumn 2021
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potentially fraudulent activity at the Council.	Fraud surgeries planned for Autumn 2021
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the Council's internet site
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	On-going
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

*Fraud Risk Register @ September 2021*

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy. This risk is managed by Wolverhampton Homes.	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single person's discount and Local Council Tax Support Schemes.	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple Councils.	Red
Cyber Security	Using technology as a tool to commit acts of fraud – this currently has a very high profile and is an ever-increasing area susceptible to fraud	Red
Covid-19	The Council is open to fraud and misappropriation due to changes in legislation and the speed in which government support grants need to be processed.	Amber
Welfare Assistance	Fraudulent claims.	Amber
Procurement	Collusion (employees and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status.	Amber
Payroll	'ghost' employees, expenses, claims, recruitment.	Amber
Blue Badge	Fraudulent applications use by others and continuing use after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Bank Mandate Fraud	Fraudulent request for change of bank details (increased following a recent case).	Amber
Theft	Theft of Council assets including cash (increased following a recent case).	Amber
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	Green
Grants	False grant applications, failure to use for its intended purpose.	Green

Bribery	Awarding of contracts, decision making.	Green
Money Laundering	Accepting payments from the proceeds of crime.	Green



# Fraud and corruption tracker

National Report 2020



**CIPFA COUNTER  
FRAUD CENTRE**

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# Foreword



A handwritten signature in black ink that reads 'Rob Whiteman'.

**Rob Whiteman**  
Chief Executive, CIPFA

As managers of public resources, every public sector organisation has a responsibility to fight fraud and corruption. Successful organisational efforts to prevent, identify and manage various types of financial crime not only strengthens the state of public finances, but also mitigates moral and reputational risks across the public sector. During times of unprecedented uncertainty, the importance of these principles cannot be overstated.

Each year, the CIPFA Fraud and Corruption Tracker (CFaCT) aims to provide a current national picture of public sector fraud and corrupt activity help local authorities identify and implement mitigating actions. The tracker's findings provide valuable insights that help counter fraud practitioners in local government better understand national trends and emerging risks. Our intention is that the tracker serves as a resource for both public sector organisations and citizens who are invested in, and engaged with, their local communities.

Although the information in this year's report does not capture the impact of the ongoing coronavirus pandemic, it does provide useful insight about the local government landscape in the period prior to the national response effort.

This publication forms part of CIPFA's commitment to support the public sector and promote the principles of good governance and strong public financial management. Not only do our findings offer insight on the fraudulent activities that occur across the UK's public sector organisations, but the survey also highlights the important role that counter-fraud protocols play in the fight against fraud and corruption.

Understanding ever-changing risks can help public sector professionals increase their individual awareness, collaborate more effectively with others in the sector and take tailored action to prevent illegal activity from growing in the public sphere.

The survey was supported by:



# The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP). It was named in the UK Government's 2014 Anti-Corruption plan and in the 2017-22 Anti-Corruption strategy as having a key role to play in combating fraud and corruption. We provide a range of services and solutions that measurably impact the fight against fraud in the public sector, and are committed to helping organisations prevent, detect and recover financial loss; protecting their reputation and developing counter fraud skills.

Our annual CIPFA Fraud and Corruption Tracker (CFaCT) survey is the definitive survey of fraud and corruption activity in local government. It tracks the levels of fraud and corruption local authorities have detected, the number of investigations undertaken and the types of fraud encountered. Understanding where fraud losses are occurring – and the actions being taken to stem the flow – is essential to helping senior leaders across the public sector understand the value of counter fraud activity.



## Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing insights and best practices, including:

- LGA
- MHCLG
- NAO
- NCA
- SOLACE
- SLT
- Home Office
- The Fighting Fraud and Corruption Locally board

# Introduction

CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator 2017, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, with £7.3bn of this total being lost in local government.

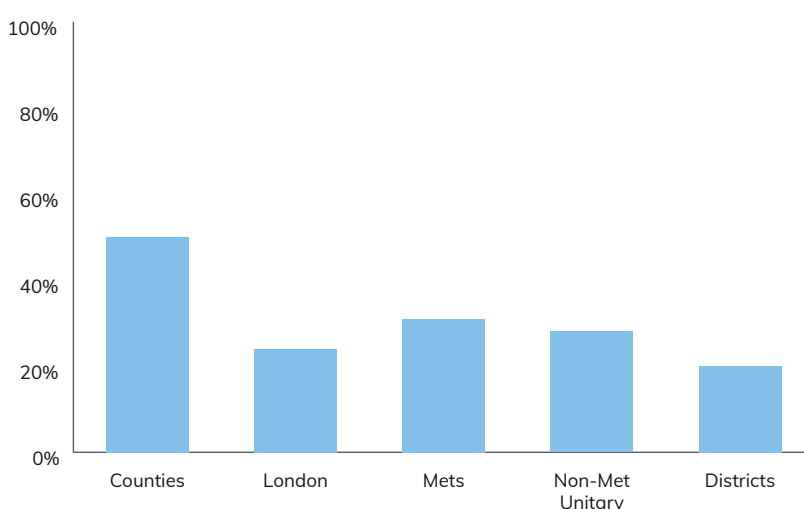
Fraud is a prevalent cause of concern in the public sector and continues to pose financial threats to local authorities. CIPFA's partners, such as the LGA, the NAO and Home Office, work towards new ways of finding solutions to the challenges that the public sector faces.

The sixth annual CIPFA Fraud and Corruption Tracker (CFaCT) survey was conducted in August 2020, with the aim of creating a national picture of the types and volume of fraud detected and prevented in local authorities. The results were collated from local authorities in all regions in the UK, allowing CIPFA to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

It should be noted that the response rate for the 2019/20 survey was significantly lower than previous years, which was to be expected, due to the impact of COVID-19 on local government resources. The figures mentioned in this report were captured in the time period before the pandemic and the data therefore represents what local authorities were experiencing before the COVID-19 outbreak.

Moreover, for each fraud breakdown, there was an additional option in this year's survey to record the 'overall number of cases identified' which may have included cases where fraud was not ultimately proven. The other option was to record the 'number of cases proven to be fraudulent' including cases where, following an investigation, action has taken place or a payment has been prevented and, on the balance of probabilities, fraud or corruption has

## Response rate



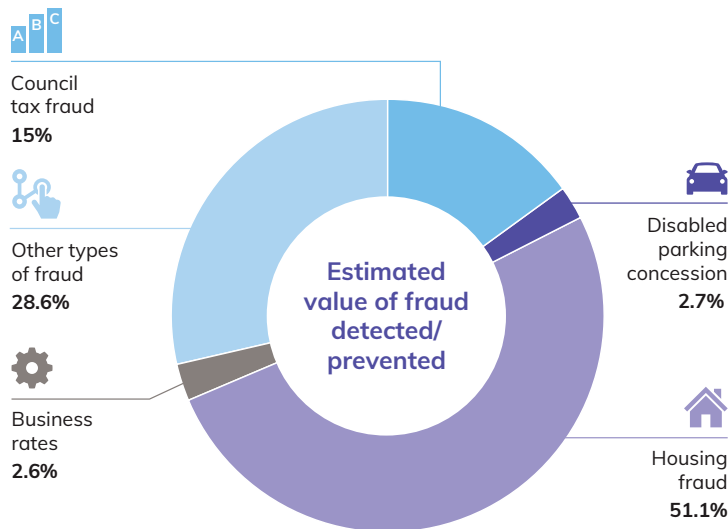
occurred. To enable comparisons with previous years' data, for consistency and the volumes mentioned refer to the number of cases proven to be fraudulent.

## This report highlights the following:

- the types of fraud identified in the 2019/20 CFaCT survey
- the monetary cost value of fraud in 2019/20
- the impact of counter fraud and prevention activities to improve the public sector budget
- the emerging risks and threats impacting the fraud and corruption landscape.

# Executive summary

For local authorities in the UK, CIPFA has estimated that the total value of fraud identified and prevented in 2019/20 is approximately £239.4m, which is an average value of £5,090 per fraud case. Last year, there was an estimated value of £253m with a lower average of £3,600 per case detected and prevented.

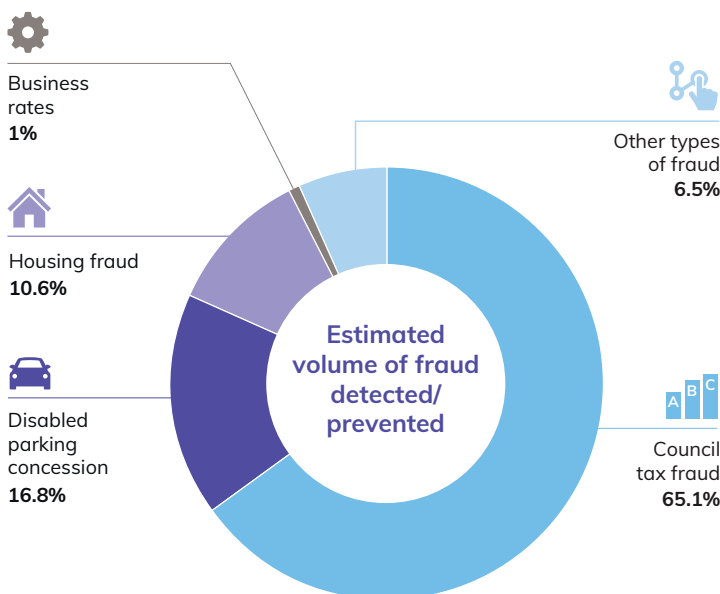


Councils reported that approximately 47,000 instances of fraud had been detected or prevented in 2019/20, which is lower than the approximation of 71,000 reported by CIPFA in 2018/19. Council tax fraud represents almost two thirds (65%) of these identified instances of fraud with an estimated value of £35.9m, followed by disabled parking concession (Blue Badge Scheme) and housing fraud which represent 17% and 11% of the total cases of UK public sector fraud, respectively.

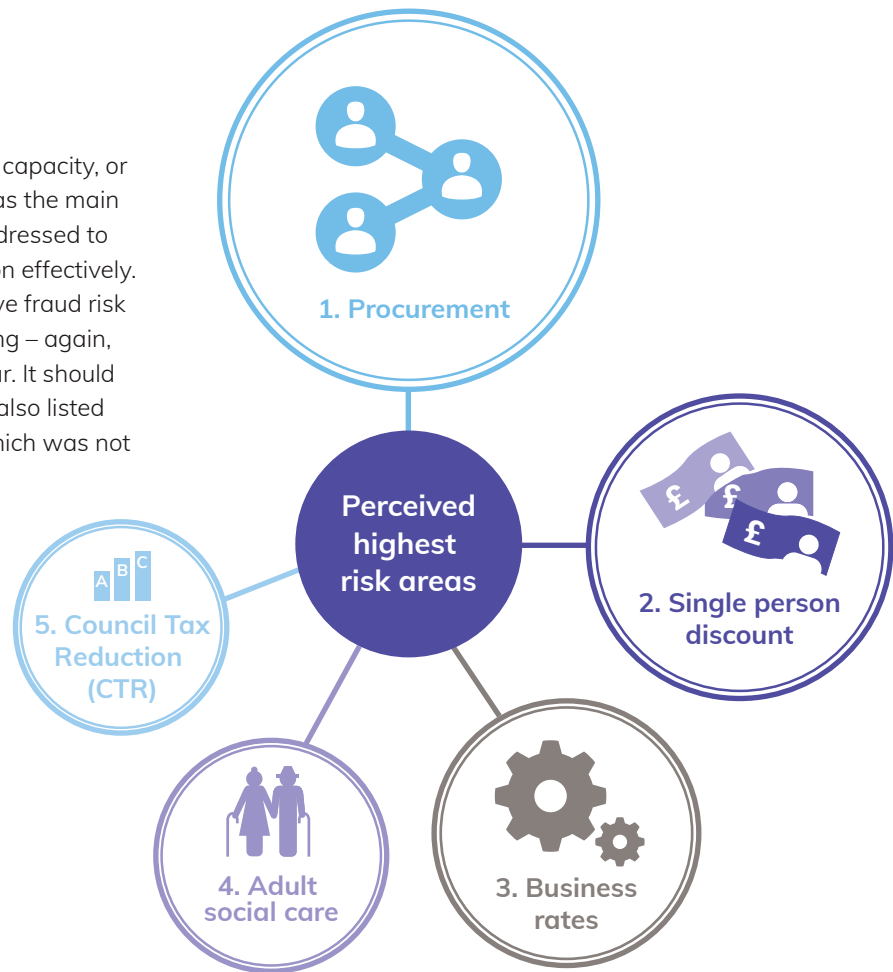
This year, we also measured the impact of grant fraud (prior to the COVID-19 grant disbursement), which represents 0.3% of the total identified instances of UK public sector fraud and 15% of the total value (£36.6m).

The largest growing fraud area is housing tenancy (other), with an estimated £60.1m lost in 2019/20 compared to £47.7m in 2018/19. This is followed by council tax single person discount (SPD) which has an estimated increase of £9.6m to an estimated value of £29.0m for cases detected/prevented in 2018/19.

The two highest perceived fraud risk areas for 2019/20 are the same as last year: procurement and council tax SPD. This shows these are the areas that require strict controls and support. The perceived third, fourth and fifth highest fraud risk areas are business rates, adult social care and council tax reduction (CTR) respectively.



Survey results show that nationally, capacity, or sufficient counter fraud resource, was the main perceived issue that needs to be addressed to tackle the risk of fraud and corruption effectively. This was followed closely by effective fraud risk management and better data sharing – again, following the same trend as last year. It should be noted that multiple respondents also listed ‘increased awareness’, an option which was not originally considered in the survey. Results from respondents indicate that they expect to increase the number of counter fraud specialist staff by 5% in 2021.



# Major fraud areas

For 2019/20, the CFaCT survey has shown that the four main areas of fraud (by volume) that local authorities are tackling are:

- council tax
- disabled parking (Blue Badge)
- housing
- business rates.



## Council tax

Council tax continues to be the largest area of identified fraud in the last six years and is the top fraud risk area for district and unitary councils, 57% and 32% respectively. This is likely a result of the targeted effort by authorities to identify fraud that has a direct impact on their income. Data matching and analytic exercises continue to reap rewards and will continue to improve as authorities work smarter and use tools made available to them. The total number of council tax fraud cases identified by participating local authorities, which may not have ultimately proven to be fraudulent, was 24,105.

volume/low value area continues to be a leading trend each year, where there are many incidents of smaller value, requiring higher vigilance on a more frequent basis.

Since 2018/19, the estimated number of council tax cases proven to be fraudulent has decreased by 45%, while the estimated value has increased by £5.3m. This may be evidence that in proven cases offenders are less likely to reoffend. It may also be an indicator that fraud risk exercises continue to identify the high volume/low value frauds year on year, with more effort being focussed on the long-term offenders, or that more authorities are choosing to claw back fraudulent discounts from previous billing periods.

Since 2017/18, the cases pertaining to single person discount (SPD) have decreased yearly; there is a vast difference of 20,069 (46%) between the 2018/19 and 2019/20 volumes. Nonetheless, the money lost to SPD fraud has increased by £9.5m. The opposite is seen for council tax reduction (CTR) and other council tax-related fraud, where the values have decreased by £2.3m and £2.1m respectively.

The overall estimated value of council tax fraud has continued to increase, primarily due to the increase in the value of cases for SPD fraud detected in 2019/20.

### Estimated council tax fraud

	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
SPD	46,278	£15.8m	44,051	£19.4m	23,982	£28.9m
CTR	8,759	£6.1m	8,973	£7.2m	3,845	£4.9m
Other	2,857	£4.5m	2,831	£4.0m	2,794	£1.9m
<b>Total</b>	<b>57,894</b>	<b>£26.3m</b>	<b>55,855</b>	<b>£30.6m</b>	<b>30,622</b>	<b>£35.9m</b>

Though the volume of cases proven to be fraudulent is significantly higher when compared to other fraud risk areas, Council tax does not represent the highest cumulative value amongst all surveyed types of fraud, estimated to total £35.9m. This high





## Disabled parking (Blue Badge)

The survey identified fraud from the misuse of the Blue Badges scheme was one of the steadily increasing fraud risk areas. The estimated number of cases proven to be fraudulent has increased by 938, and the national estimated average value per case increased from £661 to £811 in 2019/20.

This indicates that though procurement, council tax SPD and adult social care are identified nationally as the three main fraud risk areas, Blue Badge fraud is an area of increasing risk and prominence.



## Housing and tenancy fraud

In relation to housing fraud, councils record the income lost using different valuations, ranging from a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. These differences in approach can make it hard to formulate clear comparisons. On a national scale, the value of fraud detected or prevented will be looked at in two ways:

- if the cases were pertaining to new build accommodation
- if the cases were pertaining to temporary accommodation.

If the cases were regarding new build accommodations, there would be an average of £150,000 per fraud case, in comparison to £18,000 if they were pertaining to temporary accommodation. This can be further explored by looking at the comparison by tier.

Before 2019/20, there was a steady decline of around 20% a year in the number of housing and tenancy related frauds detected or prevented. However, this year there was an increase of 37% overall.

While illegally sublet properties and right to buy frauds continue to fall year on year, the volume of other housing fraud such as succession and application fraud has increased significantly. This

is predominantly down to the continued efforts to review housing tenancies, including proactive exercises and conducting appropriate due diligence on applications.

### Estimated housing fraud

	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
Right to buy	1,518	£92.0m	652	£46.0m	584	£30.7m
Illegal sublet	1,051	£55.8m	826	£41.8m	605	£31.6m
Other *	2,164	£68.3m	2,154	£47.7m	3,802	£60.1m
<b>Total</b>	<b>4,733</b>	<b>£216.1m</b>	<b>3,632</b>	<b>£135.6m</b>	<b>4,991</b>	<b>£122.4m</b>

\* Other includes tenancy frauds that are neither right to buy nor illegal sublet and may include succession and false applications.



## Business rates

Business rate fraud represents 1.0% of the total estimated number of cases proven to be fraudulent in 2019/20. This represents a marginal decrease from the previous year's figure of 2.0% and is reflected in the fact that the estimated loss decreased from £8.0m in 2018/19 to £6.2m this year.

Nonetheless, it was recorded as the third highest fraud risk area on a national scale, as well as fourth highest specific to districts.

# Other types of fraud

This part of the report examines the survey responses related to other notable frauds that did not emerge as major types of fraud within the national picture. This section includes 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, manipulation of data and grant fraud.



## Adult social care

Adult social care is viewed by survey respondents to be the fourth highest fraud risk area. Over the past year, the average value per adult social care fraud has decreased by £11k, following the trend seen in years prior to 2018/19.

Generally, the total volume and value of estimated fraud cases have decreased to 460 cases and £8.2m respectively, but the volume of personal budget frauds has increased by 30% in the past year. Nonetheless, the estimated value for personal budget frauds is £4.9m – lower than the estimated 2018/19 value.

Other fraud also showed a decline in the numbers of cases proven to be fraudulent.

### Estimated adult social care fraud

	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
Personal budget	334	£3.3m	234	£9.6m*	306	£4.9m
Other	403	£3.4m	246	£4.1m	154	£3.3m
<b>Total</b>	<b>737</b>	<b>£6.7m</b>	<b>480</b>	<b>£13.7m*</b>	<b>460</b>	<b>£8.2m</b>
Average value per fraud		£9k		£29k*		£18k

\* Please note that this figure is made up predominantly of a handful of authorities and though it is not comparable, it shows the scope of fraud possible in this area.



## Insurance fraud

This year's survey found an estimated number of 349 insurance fraud cases with a value of £3.9m. Since last year, the estimated insurance fraud case value has more than halved. However, the figure for 2019/20 is very similar to the estimated value from 2017/18 of £3.5m.

A respondent who identified insurance fraud also reported one confirmed insider fraud case with a

combined value of £9.2k – a significant drop from last year's combined value of £43k.

Considerable work has been done in the area of insurance fraud, and insurance companies are working with local authorities to develop new ways to identify fraud and abuse within the system, which seems to be effective given the steady decline in volume and value of cases reported.



## Procurement fraud

For the fourth year in a row, procurement fraud was perceived to be the highest fraud risk area. This year, there was an estimated number of 87 prevented procurement frauds, with 8% of cases reported as insider fraud. This is a continued decline from 125 estimated fraudulent cases with a value of

£20.3m in 2018/19, and 142 cases with a value of £5.2m in 2017/18. It is widely accepted that procurement fraud continues to be the hardest type of fraud to detect, can be very high in value and difficult to prove.

On 8 June 2020, the Ministry of Housing, Communities and Local Government published a review into risks of fraud and corruption in local government procurement.

It reported that councils in England spend around £55bn a year on goods, work and services. A survey conducted as part of the review showed 23% of respondents reported fraud and/or corruption in the procurement lifecycle during the 2017 to 2018 financial year.

### Estimated procurement fraud

2017/18		2018/19		2019/20	
Volume	Value	Volume	Value	Volume	Value
142	£5.2m	125	£20.3m*	87	£1.5m

\* Please note this figure is attributable to mainly one organisation and though it is not comparable to other respondents, it shows the scope for fraud in this area.



## Welfare assistance and no recourse to public funds

In 2019/20, the estimated number of fraud cases related to welfare assistance increased significantly to 307. Estimates for 2018/19 and 2017/18 approximated 24 and 109 cases respectively.

2019/20 saw the number of no recourse to public funds cases increase to an estimated figure of

193; the previous year's figure had declined to an estimated volume of 148, from a volume of 334 in 2017/18. This is mainly due to the reduction in the number of respondents who detected and prevented fraudulent activity in this area.



## Economic and voluntary sector support and debt

There was only one economic and voluntary sector support fraud case reported by local authorities in this survey, with a value of £25,000. In the 2017/18 survey, there were 24 actual cases of fraud reported with an average estimated loss of £14,000 per case. These figures decreased in 2018/19, with six actual cases of fraud reported and an average value per fraud loss of £4,000.

The number of reported cases of debt has significantly dropped to just three, with a fraud loss of £82,600, in comparison with 53 reported in 2018/19 valued at over £495,000.



## Payroll, expenses, recruitment and pension

The total value of fraud loss for all four areas in 2019/20 is an estimated £0.82m, a very significant decrease from 2018/19, where there was a total estimated loss of £9.42m. The inflated figure in

2018/19 is due to one incident of payroll fraud prevented by a local authority.

Measuring the cost of these frauds can be quite difficult as they carry implications that include reputational damage, the costs of further recruitment and investigations into the motives behind the fraud. As a result, some organisations could be less likely to investigate or report investigations in these areas.

Payroll had the highest volume of fraud out of these four areas (payroll, expenses, recruitment and pension) for each year since 2016/17. In 2019/20, the area with the highest estimated average per case was pensions with £13,278, followed by recruitment fraud with an estimated average per case of £4,797.

### Estimated fraud

Type	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
Payroll	167	£1.01m	168	£8.77m*	113	£0.30m
Expenses	34	£0.03m	32	£0.04m	69	£0.12m
Recruitment	52	£0.49m	33	£0.38m	16	£0.08m
Pension	164	£0.57m	153	£0.23m	24	£0.32m
<b>Total</b>	<b>417</b>	<b>£2.10m</b>	<b>386</b>	<b>£9.42m*</b>	<b>222</b>	<b>£0.82m</b>

\* Please note this figure is attributable to mainly one organisation and though it is not comparable to other respondents, it shows the scope for fraud in this area.



## Mandate and grant fraud

In 2019/20, CIPFA estimates that there have been 344 cases of mandate fraud across the UK, which is a slight increase from the estimate of 322 in 2018/19.

This year, an extra section for grant specific fraud was added to the survey. Overall, there was an estimated number of 161 grant frauds, with a fraud loss value of £36.6m. The additional fraud type was

included in this year's survey to separate reported figures from expense fraud, so we have some specifically reported grant fraud to compare with the 2020/21 results, when COVID-19 grant fraud will be reported.

# Serious and organised crime

Organised crime often involves complicated and large-scale fraudulent activities which cross more than one boundary, such as payroll, mandate fraud, insurance claims, business rates and procurement. These activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

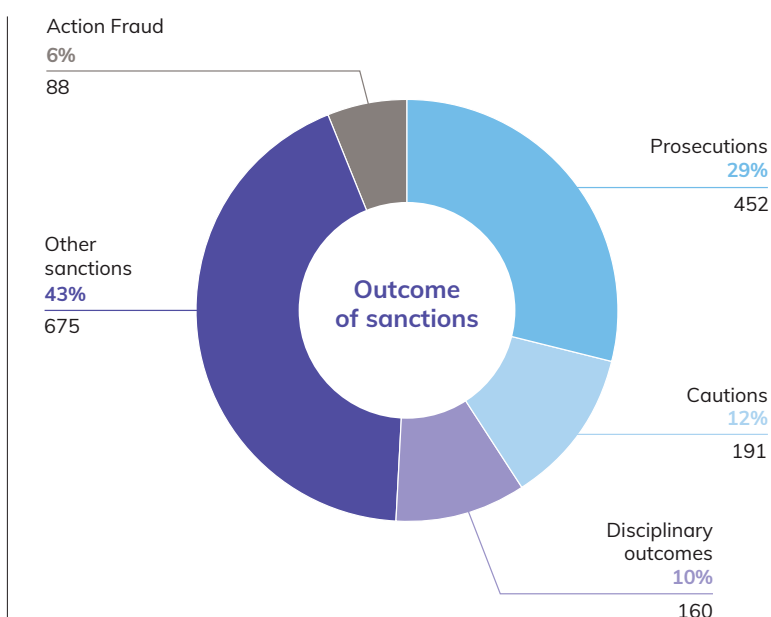
The responses show that councils share a significant amount of data both internally and externally, with 73% sharing data with the Cabinet Office/National Fraud Initiative, 52% sharing data with the police and 51% sharing data with their peers (other similar organisations).

In addition, of the organisations that responded, 35% identified serious and organised crime within their organisation's risk register and 52% reported that their counter fraud and corruption plan includes serious and organised crime risks.

## Sanctions

The following shows some of the key findings from sanctions that were being used in 2019/20:

- 452 prosecutions were completed in 2019/20 and of those, 10 involved insider fraud. All these insider fraud cases were found guilty.
- The number of cautions as a proportion of the total sanctions reduced from 13% in 2017/18 to 7% in 2018/19 but increased to 13% again in 2019/20.
- The percentage of other sanctions increased from 46% in 2017/18 to 55% in 2018/19. Over the past year, this proportion decreased to 46% again.



# Cyber fraud

Results from the CFaCT survey show that 82% of respondents underwent a cyber/e-fraud risk assessment during or after 2019/20. More than three quarters (78%) state that the IT team/Senior Information Risk Owner (SIRO) is responsible for the management of cyber risk in their organisation, matching last year's figure.

One third (32%) of respondents stated that their organisation had been a victim of hacking/ Distributed Denial-of-Service (DDOS) attacks in the last month, an increase of 5% over the past year.

In response to the threat of cyber-crime against local government, the LGA has set up a cyber security programme and a stakeholder group, working together to address the issues of cyber-crime.

The LGA programme received three years of funding from the National Cyber Security Programme (NCSP) in 2018 to support councils in remaining safe and secure from cyber-attacks and to have the appropriate arrangements in place to deal effectively with a cyber-incident should it occur, ie both prevention and response.

# Whistleblowing

This year, 64% of respondents reported that they annually reviewed their whistleblowing arrangements in line with the [ISO 37002 "Whistleblowing Management Systems" guidelines](#).

Of those questioned, 85% confirmed that staff and the public had access to a helpdesk and 66% said that the helpline conformed to the ISO 37002 guidelines.

Respondents reported a total of 486 whistleblowing cases logged, made in line with the ISO 37002 *Whistleblowing Management Systems* guidelines.

This is an average of six cases logged per authority, which equals the 2018/19 figure. The majority of cases logged by respondents were in metropolitan districts.



# Counter fraud structure

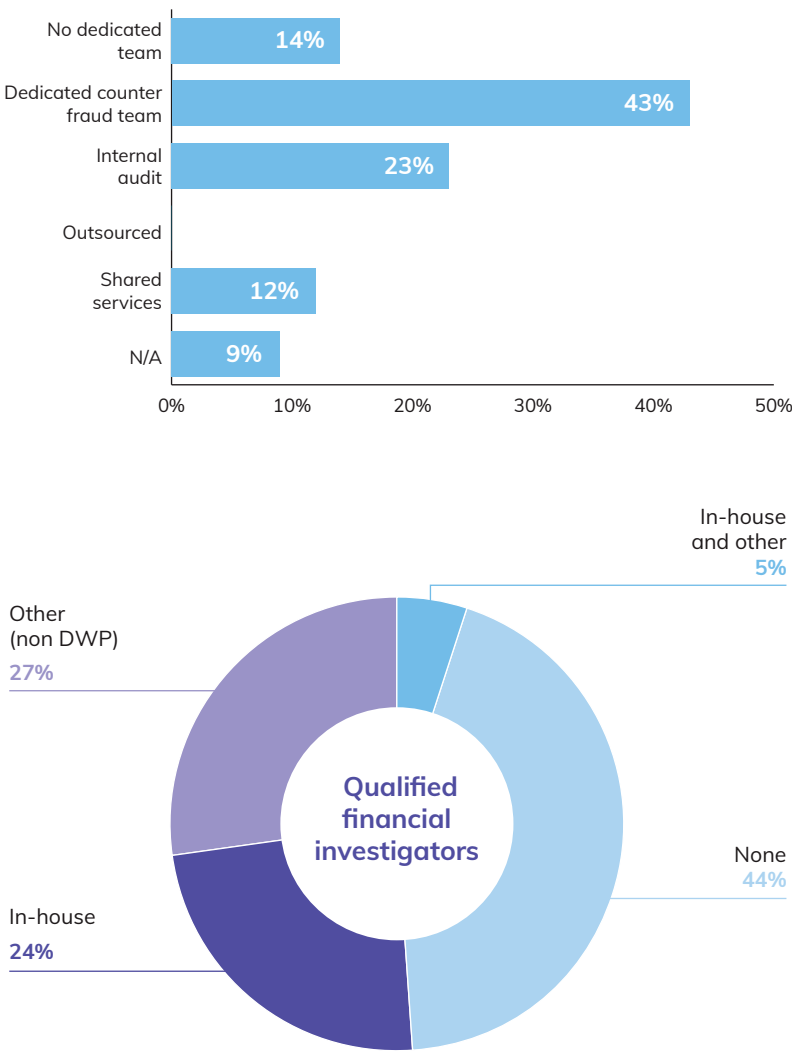
Fraud teams across local government continue to detect and prevent a significant amount of fraud, although having sufficient counter fraud resources is the main perceived issue that needs to be addressed to tackle fraud. Councils are responding to this and expect the number of counter fraud specialist staff to grow by around 5% in the next year, with a small increase of 3% in 2022.

In addition to the reductions in resources, having a shared services structure has decreased this year to 12%, in comparison with 19% of respondents who reported having a shared services structure in 2018/19.

There has been a slight increase in the proportion of authorities that have a dedicated counter fraud team, from 40% in 2018/19 to 43% in 2019/20. However, it is worth noting there may be a potential bias in this figure as those who have a dedicated counter fraud team are more likely and able to return data for the CFaCT survey.

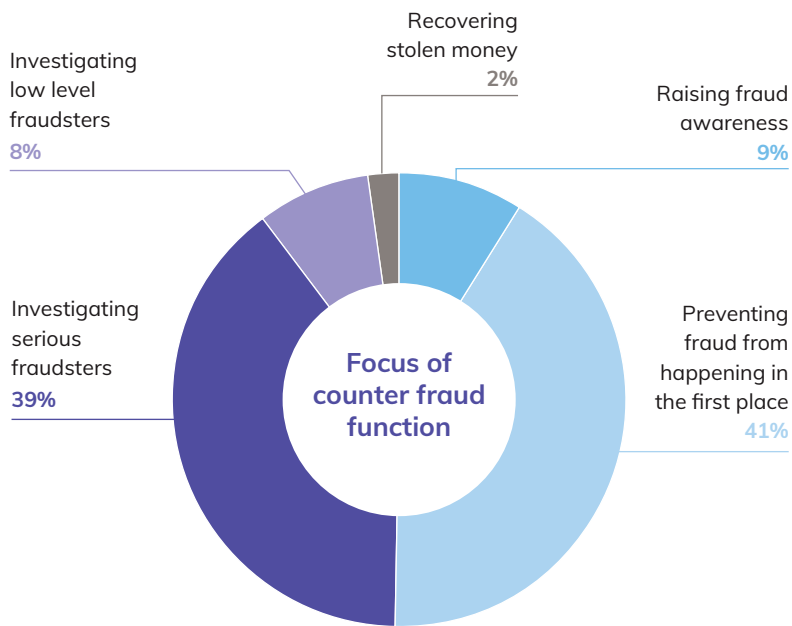
In 2019/20, the proportion of authorities that have available in-house qualified financial investigators was 24%. In addition, the percentage of authorities that have a non-DWP qualified financial investigator increased from 23% in 2018/19 to 27% in 2019/20. However, the proportion of authorities that do not have a qualified financial investigator available to their organisation has increased slightly from 43% last year to 44% this year, showing the potential strain on resources.

Counter fraud structure breakdown



# Focus of counter fraud function

A new section was added to this year's survey, where local authorities were asked to identify the main priority of their counter fraud function.



The greatest proportion of respondents (41%) reported that the most important priority was 'preventing fraud from occurring in the first place' and the second most important was 'investigating serious fraudsters' with 39%. In comparison, the area that was seen to have the least importance, with no authorities listing this as a priority, was 'gathering intelligence'.

The other options included were recovering stolen money, investigating low level fraudsters and raising fraud awareness.

# Joint working and data sharing

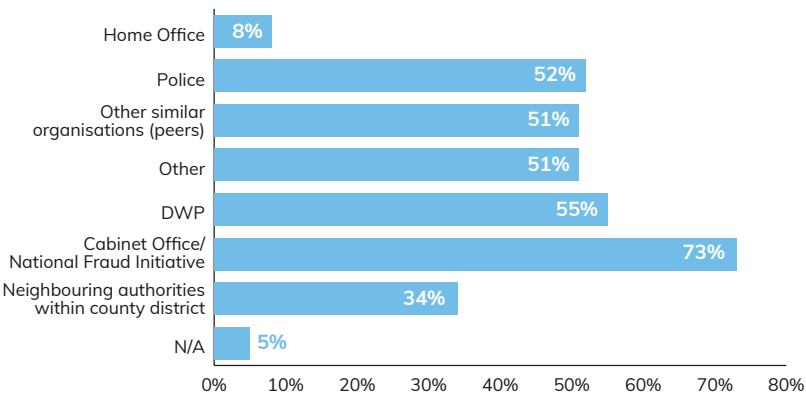
85% of survey respondents stated that they share data internally, mainly with housing, council tax and revenue and benefits departments.

Eighty two per cent of local authorities share data externally – a decrease of 14% since 2018/19. This data is mainly shared with Cabinet Office/National Fraud Initiative (73%), the DWP (55%), police (52%) or other authorities/similar organisations (51%).

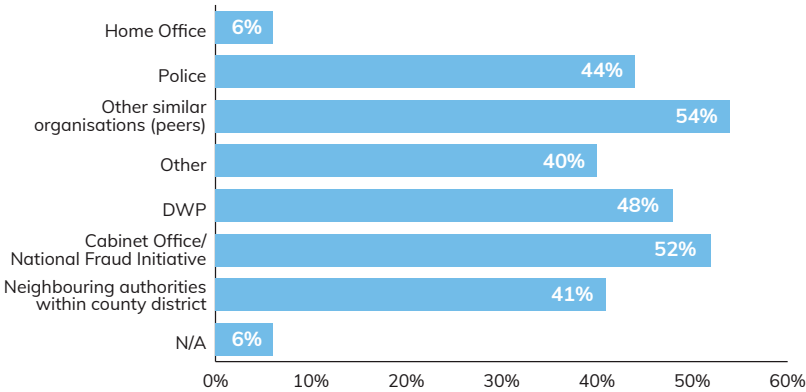
The sort of data that is shared relates to persons of interest, areas of interest and emerging frauds. Some authorities also highlighted that the data they share is for data matching purposes.

Of the CFaCT respondents, 54% say they work jointly with other similar organisations/peers, 52% work with the Cabinet Office/National Fraud Initiative, 48% with the DWP and 44% with the police. Further breakdown is shown in the charts to the right.

Share/exchange data with:

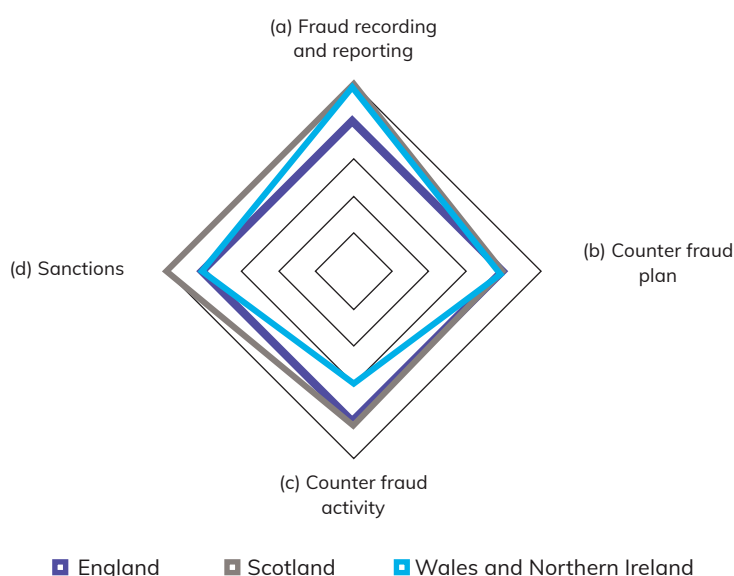


Work jointly with:



# Fighting Fraud and Corruption Locally

The FFCL strategy 2016-2019, developed by local authorities and counter fraud experts, was the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities for the period covered by this survey. The strategy has since been reviewed and replaced with the Fighting Fraud and Corruption Locally 2020 strategy. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.



This strategy is available for councils to use freely so that everyone can benefit from shared good practice, and is aimed specifically at local authority leaders. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact, as well as covering resource management and investment in counter fraud operations.

To measure the effectiveness of the initiatives in the 2016-2019 strategy, the FFCL board included questions in the CFaCT survey and

the results are shown below. The questions ask respondents whether they agree or disagree that their organisation is carrying out certain actions, based on FFCL recommendations. The diagram to the left illustrates the results: lines closest to the outside edge indicate strong agreement while those towards the centre indicate disagreement.

For the 2019/20 survey, a few additional questions were added to this section, with regards to resources, staff and training.

When asked if their organisation secured appropriate training for fraud practitioners in line with agreed professional standards, for all types of investigation, a significant proportion (81%) of local authorities said they did.

More than two thirds (71%) of authorities employ staff who are suitably qualified and trained to undertake counter fraud investigations.

Respondents were also asked to select what they perceived to be the most important strategies for countering fraud in the future. Local authorities reported that 'managing evolving risks' and 'ensuring staff are trained' are the most important strategies. The additional strategies listed in the questionnaire were increased funding, leadership, technology and working in partnerships.

# Impact of COVID-19

It should be noted that the CFaCT survey covers the pre-pandemic period of 2019/20 and therefore the data in this report represents what local authorities were experiencing before the outbreak in 2020. However, a qualitative question was added to the 2019/20 survey regarding the observed impact of COVID-19 on any fraudulent behaviours in local government. Key themes emerging from responses were:

- Instances of potential frauds involving empty properties where fraudsters were claiming to occupy with the intention of claiming business grants.  
These included applications from those that traditionally would not have considered committing any fraud offences now feeling financially pressured to do so, owing to the downturn in the economy.
- Adult social care services being exploited during a time where resources are limited and usually robust assessments such as home visits not being possible due to health risks.
- Parents and carers of children in receipt of free school meals being targeted by fraudsters who email with messages to harvest bank details with a promise to help with funding while the school is closed.
- The risk of fraudsters impersonating key personnel in both the purchase and supply chain in an attempt to commit mandate fraud has significantly increased with staff predominantly working from home. It has become more difficult to validate supplier details while pressures to process payments at speed have increased, therefore usually robust controls are weakened.
- The inability of councils to tackle usual areas of fraud due to resources being re-directed into the processing and review of business grants associated with COVID-19. This has restricted the ability to tackle fraud face-to-face, including visits and interviews due to public health concerns and uncertainty over the legality of conducting remote interviews under caution.

# Recommendations

## CIPFA recommends

- The cumulative value of fraud prevented/detected by local authorities continues to decline year-on-year. Local authorities must remain vigilant and determined in identifying and preventing fraud, raising the awareness of fraud risk across all areas of service delivery and all levels of the organisation.
- This year's findings show that a dedicated counter fraud team remains the preferred method of delivery amongst respondents, and although there has been a slight reduction in the number of shared services reported, it remains important for organisations to work collaboratively with their neighbours and business partners, share resources, skills and best practice to effectively detect and prevent fraud.
- There has been a 14% reduction since 2018/19 in the volume of local authorities share data externally and only 73% of authorities sharing data with the Cabinet Office/National Fraud Initiative. Public sector organisations should maximise opportunities to share data where these initiatives are made available and explore and invest in additional innovative use of data sharing and fraud prevention technology, reducing the risk of loss through fraud.
- This year the majority of authorities reported fraud prevention as their main priority with none listing intelligence gathering at any level. Authorities should reconsider the value of intelligence in connection with identifying fraud risk, informing and focusing their planned activity and helping protect the organisation, therefore further preventing fraud.
- The level of whistleblowing allegations received this year remained constant with 2018/19 and 85% of authorities confirmed that staff and the public had access to a helpdesk. CIPFA recommends active publicity campaigns across all levels of the organisation to ensure staff are aware of whistleblowing procedures and accessibility to supporting services.
- Cyber security continues to increase in importance relative to the increase in remote working and electronic service application. Where controls need to be strengthened authorities should seek assistance from the LGA's cyber security programme stakeholder group.
- The new Fighting Fraud and Corruption Locally 2020 strategy has been released and councils are encouraged to review their working practices against the FFCL checklist, strengthening controls where weakness is identified.

# Appendix 1: Fraud types and estimated value/volume

The table below shows the types of frauds reported in the survey and the estimated volume and value during 2019/20.

Types of fraud	Fraud cases	% of the total	Value	% of the total value	Average
Council tax frauds	30,622	65.4%	£35.9m	15.0%	£1,173
Disabled parking concession	7,889	16.8%	£6.4m	2.7%	£809
Housing frauds	4,991	10.7%	£122.4m	51.1%	£24,534
Business rates	476	1.0%	£6.2m	2.6%	£13,126
Other types of fraud	2,865	6.1%	£68.5m	28.6%	£23,890
Adult social care	460	1.0%	£8.2m	3.4%	£17,767
Insurance claim	349	0.7%	£3.9m	1.6%	£11,271
Mandate fraud	344	0.7%	£9.4m	3.9%	£27,227
Welfare assistance	307	0.7%	£0.2m	0.1%	£684
Schools frauds (excl. transport)	211	0.5%	£0.2m	0.1%	£1,174
No recourse to public funds	193	0.4%	£2.2m	0.9%	£11,132
Grant fraud	161	0.3%	£36.6m	15.3%	£226,997
Payroll	113	0.2%	£0.3m	0.1%	£2,629
Procurement	87	0.2%	£1.5m	0.6%	£16,696
Expenses	69	0.2%	£0.1m	0.1%	£1,743
Children's social care	40	0.1%	£0.4m	0.2%	£9,903
Pensions	24	0.1%	£0.3m	0.1%	£13,278
Recruitment	16	0.0%	£0.1m	0.0%	£4,797
Debt	11	0.0%	£0.3m	0.1%	£27,533
School transport	6	0.0%	£0.2m	0.1%	£32,750
Economic and voluntary sector support	4	0.0%	£0.1m	0.0%	£25,000
Investments	0	0.0%	na*	na*	na*
Manipulation of data	0	0.0%	na*	na*	na*

\*The figures for investments and manipulation of data are not available as no responses were received and thus the amount is not representative of the national average. In addition, these figures are affected by few councils who had high value frauds not indicative of the national average.

# Appendix 2: Methodology

This year's results are based on responses from 98 local authorities. An estimated total volume and value of fraud has been calculated for all local authorities in England, Wales, Scotland and Northern Ireland. Missing values are calculated according to the size of the authority and, for each type of fraud, an appropriate universal measure of size has been selected such as local authority housing stock for housing frauds.

From the responses, the number of cases per each unit of the measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value. As an illustration, if the number of housing frauds per

house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000 then the total estimated value of fraud for that authority is £1m.



# Appendix 3: Glossary

Definitions below are taken from CIPFA's CFaCT survey, AFI and other government sources.

## **Adult social care fraud:**

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

## **Investigations cover cases where:**

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

## **Blue Badge:**

The Blue Badge is a Europe-wide scheme entitling holders of the permit to parking concessions. This scheme is locally administered and badges issued to those with disabilities so they can park nearer to their destination.

At present, a badge issued to a deceased person is classified as fraudulent, even if it is not being used for fraudulent purposes.

## **Business rates fraud:**

Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate evasion and avoidance. Business rate fraud may include the fraudulent applications for exemptions and reliefs and unlisted properties, and fraud staff may be used to visit properties in question.

## **Cautions:**

Cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance.

## **Council tax fraud:**

Council tax is the tax levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland.

Council tax fraud is split into three sections:

- **Council tax single person discount** – where a tenant claims to be the only adult resident to be eligible for a 25% discount when in fact other adults reside in the property.
- **Council tax reduction support** – where the council tax payer fails to declare their income correctly.
- **Other types of council tax fraud** – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

## **Debt fraud:**

Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.

## **Disciplinary outcomes:**

Disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team, disciplinary action is undertaken, or where, a subject resigns during the disciplinary process.

## **Economic and voluntary sector (grant fraud):**

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.

**Housing fraud:**

Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, abandonment, and right to buy fraud.

**Insurance fraud:**

Insurance fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.

**Mandate fraud:**

Action Fraud defines mandate fraud as "when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier".

**Manipulation of data fraud:**

The majority of manipulation of data frauds relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

**No recourse to public funds:**

No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.

**Organised crime:**

The widely used definition of organised crime is one planned, co-ordinated and conducted by people working together on a continuing basis. Their motivation is often, but not always, financial gain.

**Payroll fraud:**

Payroll fraud covers a wide range of areas such as ghost employees on the payroll, diversion of payments into fraudulent accounts, employees set up to receive higher salaries than they are entitled to by either grade or hours worked and false overtime claims.

**Procurement fraud:**

The procurement of goods and services often accounts for a significant proportion of an organisation's expenditure and is open to a wide range of potential fraud risks. This is because there are usually multiple individuals involved in a process who often do not work closely together: ie the person who wants something purchased does not always work directly with the people who initiate orders and with those responsible for paying.

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

**Recruitment fraud:**

Recruitment fraud includes applicants providing false CVs, job histories, qualifications, references, immigration status (ie the right to work in the UK) or the use of a false identity to hide criminal convictions or immigration status.

**Right to buy:**

Right to buy is the scheme that allows tenants who have lived in their properties for a qualifying period the right to purchase the property at a discount. Fraud is committed when an applicant has made false representations regarding the qualifying criteria, such as being resident in the property they are purchasing for a 12 month continuous period prior to application.

**Welfare assistance:**

Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.

**Whistleblowing:**

Effective whistleblowing allows staff or the public to raise concerns about a crime, criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.

[cipfa.org](https://cipfa.org)



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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Audit and Risk Committee</b> <b>27 September 2021</b>
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<b>Report title</b>	Payment Transparency	
<b>Accountable director</b>	Claire Nye, Finance	
<b>Accountable employee</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendation for noting:**

The Audit and Risk Committee is asked to note:

1. The Council's current position with regards to the publication of all its expenditure.

## **1.0 Purpose**

- 1.1 This report is to update the Committee on the Council's current position with regards to the publication of all its expenditure.

## **2.0 Background**

- 2.1 The latest position on the Council's payment transparency activity is as follows:
- The Council publishes its own spend data which is available on the Council's internet site under Transparency and Accountability (payments to suppliers) and is updated monthly.
  - In addition, to the spend to date, the site also includes spend for the financial years from 2011.
  - Since last reported to the Audit and Risk Committee, there have been no requests for information from the public (as an 'armchair auditor').

## **3.0 Progress, options, discussion**

- 3.1 We will continue to report back to the Audit and Risk Committee on the details of any 'armchair auditor' requests the Council receives.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report.  
[GE/13092021/U]

## **5.0 Legal implications**

- 5.1 There are no legal implications arising from the recommendation in this report.  
[TC/14092021/C]

## **6.0 Equalities implications**

- 6.1 There are no equalities implications arising from the recommendation in this report.

## **7.0 All other implications**

- 7.1 There are no other implications arising from the recommendations in this report.

## **8.0 Schedule of background papers –**

- 8.1 None

## **9.0 Schedule of appendices**

- 9.1 None