

# Agenda

## Audit and Risk Assurance Committee

**Thursday, 20 July 2023 at 5.00 pm**  
**At Council Chamber - Sandwell Council House, Oldbury**

**This agenda gives notice of items to be considered in private as required by Regulations 5 (4) and (5) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.**

**1 Apologies for Absence**

**2 Declarations of Interest**

Members to declare any interests in matters to be discussed at the meeting.

**3 Minutes**

7 - 12

To confirm the minutes of the meeting held on 5 June 2023 as a correct record.

**4 Additional Items of Business**

To determine whether there are any additional items of business to be considered as a matter of urgency.

**5 Counter Fraud Annual Report**

13 - 46

To review and approve the Council's updated Anti-Fraud and Corruption Policy and Counter Fraud



Strategy.

6     **Directorate Risk Register - Borough Economy**                     47 - 60

To note the report.

7     **Strategic Risk Review - Customer Journey**                     61 - 66

To note and comment upon the Customer Journey strategic risk.

8     **Annual Internal Audit Report 2022-2023**                     67 - 90

To consider the Internal Audit Annual Report 2022 - 2023.

9     **Work Programme**                     91 - 94

Standing item to consider the Work Programme of the Committee.

**Shokat Lal**  
**Chief Executive**  
Sandwell Council House  
Freeth Street  
Oldbury  
West Midlands

**Distribution**

Councillor Preece (Chair)  
Councillors Ager, Anandou, H Bhullar, Dhariwal, L Giles, V Smith, Tipper and  
Hussain

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## Minutes of Audit and Risk Assurance Committee

**5 June 2023 at 6.01pm**  
**In the Council Chamber at Sandwell Council House**

**Present:** Councillor Preece (Chair);  
Councillors Anandou, Bhullar, L Giles, Smith and Tipper.  
Mr Hussain (Independent Member).

**Officers:** Kate Ashley (Strategic Lead – Service Improvement);  
Rebecca Jenkins (Senior Lead - Service Improvement);  
Surjit Tour (Director Law and Governance and Monitoring  
Officer); Stephnie Hancock (Deputy Democratic Services  
Manager) and Anthony Lloyd (Democratic Services Officer).

### 20/23 **Apologies for Absence**

An apology was received from Mr Ager (Independent Member).

### 21/23 **Declarations of Interest**

There were no declarations of interest.

### 22/23 **Minutes**

**Resolved** that the minutes of the-meeting held on 16 March  
2023 are confirmed as a correct record.

### 23/23 **Urgent Additional Items of Business**

There were no urgent additional items of business.



## Improvement Plan Progress and Phase 3 Refresh

An update was provided to the Committee on progress made against the Improvement Plan up to the end of April 2023. The update formed the content of the Council's June 2023 letter to the Secretary of State for Levelling Up, Housing and Communities.

Several significant achievements were noted including progress made in relation to the Lion Farm Expert Determination process, and the approval of the Council's Commercial Strategy. A follow up review from the Local Government Association had taken place, as well as a follow-up review in relation to the CIPFA financial review and recommendations had been embedded into the Improvement Plan.

An annual report had been prepared that reflected the significant progress over the year with examples of how the changes had impacted on the organisation. The annual report set out the next steps of the improvement journey.

The Committee noted exception reports on each of the six themes within the Improvement Plan:-

### Organisational Culture

There had been a low response rate to the member-officer relationship survey launched in April 2023. Consideration was being given to timescales for a repeat survey and lessons learnt in relation to the poor response rate would be taken on board. There had been some slippage in the approval of the next phase of the member development programme as a result of the number of new councillors following the May election. The induction programme had been finalised and a Member Toolkit was in development to support members further.

### Corporate Oversight

Local Partnerships was supporting a review of Corporate Transformation and the Programme Management Office





(PMO) arrangements in the Council. This review was due to report in June. There had been some slippage to the timelines for the establishment of the Corporate Transformation PMO, associated governance, and the implementation of a programme and project management system due to timescales for Local Partnerships' review not reflecting the dates within the Improvement Plan. Timescales had been reprofiled and the Corporate Transformation PMO would be established in September 2023 (subject to the recommendations of the Local Partnerships Review), with the Programme and Project Management System to be implemented in July 2023, and the Corporate Transformation Board to be operational in June 2023.

Continuous improvement and lessons learnt activity was underway throughout the Council. Examples included continuous improvement around the scrutiny function, lessons learnt around SEND transport, and a case study around supporting residents experiencing damp and mould.

A directorate level restructure was in progress; however, actions were on hold, pending implementation of the workforce strategy and a review of spans and layers of control across the organisation.

## **Strategic Direction**

The deadline for the engagement of a strategic delivery partner in relation to the regeneration pipeline had not been achieved. Engagement with a provider was currently taking place with an update expected to be reported to the Cabinet in July. A procurement exercise for a stock condition survey had only resulted in one tender being received and so the specification was being reviewed before a re-tendering exercise. The stock condition survey would inform the Housing Revenue Account Business Plan in future years.

## **Procurement and Commercial**

The development of an options appraisal for a performance management system had slipped due to resource



challenges. Resources and a project plan were now in place and the options appraisal was due to be completed by August 2023.

## Partnership and Relationships

A Voluntary and Community Sector Strategy was in development, however, timescales had been extended to enable a more fundamental look at the relationship with the VCS.

The Committee also noted that two of the risks on the Improvement Plan Risk Register had been closed. Of the remaining risks, five were now green and five amber.

In response to members' comments and questions, the following points were clarified/noted:-

- The establishment of a Programme Management Office was a high priority. Following a re-alignment of resources, the key officers across the Council undertaking programme management would be brought together as a team. Benchmarking against other authorities had taken place to ensure best practice.
- The Council's new culture and values framework would apply to everyone in the organisation and would be linked to appraisals and other relevant policies.
- A series of workshops would be taking place during the summer months to engage with residents. Intelligence from complaints was also being considered.
- The span of control workstream had initially been put on hold whilst the Council recruited a Chief Executive. The Chief Executive was now in a position to review the structure of the Council.
- A wide range of channels had been used to communicate the member-officer relationship survey to members, however, the low response was likely due to the timing of the survey, which was during the pre-election period.
- A network of in-house culture champions, along with the results of bi-annual staff surveys would be used to measure



capacity to adapt to change across the organisation and the effectiveness of the new culture and values framework.

## 25/23 **Audit and Risk Assurance Committee Resolution - Update**

The Committee noted a written response from the Leader of the Council in relation to the Committee's resolution of 17 March 2022 (Minute No. 23/22 refers).

The Leader's response reiterated that the reason that particular employees' names had been raised as part of an historical investigation, was not connected to race. It also reiterated the Council's commitment to the Equality, Diversity and Inclusion (EDI) agenda.

The Council had already established a new Equalities Team; had recently approved a new Equality Policy and was reviewing its Equality Objective; and had adopted the LGA's Equality Framework to develop and implement a new EDI Strategy that would set out the Council's roadmap to delivering excellence in EDI over the next 5 years.

The Chair pledged to move forward and focus on meeting the needs of the people of the borough.

## 26/23 **Cabinet Forward Plan**

The Committee noted the Cabinet Forward Plan.

Meeting ended at 6.56 p.m.

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## Report to Audit and Risk Assurance Committee

20 July 2023

<b>Subject:</b>	Counter Fraud Update
<b>Director:</b>	Simone Hines Director of Finance and S151 Officer
<b>Contact Officers:</b>	<p>Oliver Knight Counter Fraud Lead <a href="mailto:Oliver_knight@sandwell.gov.uk">Oliver_knight@sandwell.gov.uk</a></p> <p>Peter Farrow Audit Services and Risk Management Manager, <a href="mailto:peter_farrow@sandwell.gov.uk">peter_farrow@sandwell.gov.uk</a></p>

### 1 Recommendation

- 1.1 Review and comment upon the Counter Fraud Update.
- 1.2 Review and approve the Council's updated Anti-Fraud and Corruption Policy and Counter Fraud Strategy.

### 2 Reasons for Recommendation

- 2.1 To inform the committee of details of the recent areas of counter-fraud activity undertaken by the Council's Counter Fraud Unit.
- 2.2 To review and approve the Council's updated Anti-Fraud and Corruption Policy and Counter Fraud Strategy.



### 3 How does this deliver objectives of the Corporate Plan?

3.1 Internal Audit and the Counter Fraud Unit operates across the Council and helps it accomplish its vision by bringing a systematic, disciplined approach to reducing the risk of fraud and helping to safeguard the council's assets.

### 4 Context and Key Issues

4.1 The Counter Fraud Report contains details of the recent areas of counter-fraud activity undertaken by the Council's Counter Fraud Unit.

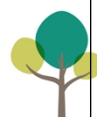
4.2 The Anti-Fraud and Corruption Policy and Counter Fraud Strategy sets out the Council's approach to tackling fraud.

### 5 Alternative Options

5.1 The purpose of the report is to inform the Audit and Risk Assurance Committee of the activity the Council and Counter Fraud Unit are taking, and the processes in place in order to tackle fraud and corruption.

### 6 Implications

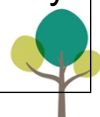
<b>Resources:</b>	There are no direct resource implications arising from this report.
<b>Legal and Governance:</b>	<p>The Counter Fraud Unit operates within the following legal framework:</p> <ul style="list-style-type: none"> <li>• The Fraud Act 2006</li> <li>• POSHFA (Prevention of Social Housing Fraud Act 2013)</li> <li>• PACE (Police and Criminal Evidence Act 1984)</li> <li>• General Data Protection Regulations</li> <li>• CPIA (Criminal Procedure and Investigations Act 1996)</li> </ul>



- RIPA (Regulatory Investigation Powers Act 2000)
- HRA (Human Rights Act 1998)
- Council Tax Reduction Scheme 2013

The Counter Fraud Unit investigators are required to investigate in accordance with the Local Government Act 1972. The following sections from this Act are relevant:

- Section 151 – Duty to protect public funds: Every Local Authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of the officers has responsibility for the administration of those affairs.
- Section 222 – Right to prosecute: Where a local authority consider it expedient for the promotion or protection of the interests of the inhabitants of their area they may prosecute, defend or appear in any legal proceedings and, in the case of any civil proceedings, may institute them in their own name.
- Section 223 – Right to appear in court: Any member or officer of a local authority who is authorised by that authority to prosecute or defend on their behalf or to appear on their behalf in proceedings before magistrates' court shall be entitled to prosecute or appear in any such proceedings and to conduct any such proceedings.
- Section 111 – Right to act: Without prejudice to any powers exercisable apart from this section but subject to the provisions of this Act and any other enactment passed before or after this Act, a local authority shall have power to do any thing (whether or not involving the expenditure, borrowing or lending of money



	<p>or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to the discharge of any of their functions.</p> <ul style="list-style-type: none"> <li>The right to question suspects and witnesses – Police and Criminal Evidence Act 1998 - PACE (Code C)</li> </ul>
<b>Risk:</b>	The actions detailed in the Counter Fraud Report, Strategy and Anti-Fraud and Corruption Policy are designed to mitigate the risk of fraud.
<b>Equality:</b>	It was not necessary to undertake an Equality Impact Assessment.
<b>Health and Wellbeing:</b>	There are no direct health and wellbeing implications from this report.
<b>Social Value</b>	There are no direct social value implications from this report.

## 7. Appendices

Counter Fraud Update  
 Anti-Fraud and Corruption Policy  
 Counter Fraud Strategy

## 8. Background Papers

None





# Audit and Risk Assurance Committee

## Counter Fraud Report - July 2023



# 1 Introduction

The purpose of this report is to provide the Audit and Risk Assurance Committee with an update on the counter-fraud activities undertaken by the Council's Counter Fraud Unit. The Council is committed to creating an environment where fraud, corruption and bribery will not be tolerated. The Council'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.'

A recent Home Office document, [Fraud Strategy: stopping scams and protecting the public](#) outlined the fact that 41% of all crime recorded in England and Wales by December 2022 is fraud related. Advances in technology are highlighted as a reason as it provides fraudsters with more access to victims and data. While this new strategy document is aimed at protecting the general public, a lot of the themes are those that are also adopted in aiming to protect the Council from fraud and financial exploitation.

## 2 Counter Fraud

### The Counter Fraud Unit

The Counter Fraud Unit is responsible for carrying out investigations into areas of suspected or reported fraud and misconduct. Both pro-active and re-active work is undertaken to detect, prevent and investigate fraud across the wide range of services offered by the Council.

Officers within the unit are also responsible the Council's compliance with the Cabinet Office's National Fraud Initiative, identifying and sharing fraud trends and alerts, as well as processing requests for information from other law enforcement agencies to prevent and detect crime and protect the public purse.

The Counter Fraud Unit operates within the following legal framework:

- The Fraud Act 2006
- POSHFA (Prevention of Social Housing Fraud Act 2013)
- PACE (Police and Criminal Evidence Act 1984)
- General Data Protection Regulations
- CPIA (Criminal Procedure and Investigations Act 1996)
- RIPA (Regulatory Investigation Powers Act 2000)
- HRA (Human Rights Act 1998)
- Council Tax Reduction Scheme 2013
- Investigatory Powers Act 2016

All Investigation Officers within the unit are Accredited Counter Fraud Specialists (Portsmouth University) and currently the team has a National Crime Agency qualified Financial Investigator, Financial Intelligence Officer and a Senior Appropriate Officer.

### Anti-Money Laundering

The Counter Fraud Lead Officer is responsible for supporting the Council's Money Laundering Reporting Officer (MLRO) in their role. This includes the development of the Anti-Money Laundering Policy and associated procedures, the screening of money laundering concerns and producing Suspicious Activity Reports (SARs) for the National Crime Agency.

Under the [Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#) offences exist for those participating in financial transactions whereby there is deliberate attempt to launder money or failure to report a suspicion of money laundering. Therefore, the Council has a responsibility to report genuine concerns before processing transactions.

## 3 Counter Fraud Update

### National Fraud Initiative (NFI)

The NFI programme is an exercise administered by the Cabinet Office and has been in existence since 1996. It operates on a two-year cycle, where data from public and private organisations is collated and matched. Participating agencies receive reports for consideration and investigation. The data matches identify inconsistencies that may require further investigation and allow potentially fraudulent claims and payments to be identified. The Cabinet Office conducts the NFI exercise under the statutory data matching powers in Part 6 and Schedule 9 of the Local Audit and Accountability Act 2014.

The 2022-2023 matches are currently being processed having been released earlier in 2023. While the exercise is still being conducted, already fraud and error to the value of £28,600 has been identified, the majority of which is made up of Council Tax Reduction or Single Person Discount. With an additional £512,000 worth of estimated savings based on the Cabinet Officer's notional savings calculations. These estimated figures are based on over 90 potentially fraudulent housing applications being cancelled prior to the allocation process beginning and the over £14,000 in Council Tax reduction which was prevented.

### Council Tax Single Person Discount (SPD)

The Council has a rolling program to review the discount awarded (25%) to those residents who claim a Single Person Discount. When it is established an incorrect discount has been awarded, the discount will be removed and the outstanding council tax liability will be recovered. The [Council Tax Reduction Schemes \(Detection of Fraud and Enforcement\) Regulations 2013](#) allows a financial penalty to be issued to act as a further deterrent and where appropriate these are administered by the Counter Fraud Unit.

Council Tax SPD Fraud 2022-2023	
Financial value of SPD awards removed	£56,983
Number of penalties issued	103
Financial value of penalties issued	£7,210

SPD fraud is identified by a range of pro-active exercises, ongoing verification by council officers and reports from members of the public who contact the Council to report fraud.

### Completed Investigations – Financial Year 2022-23

Throughout the year the Counter Fraud Unit has undertaken a wide variety of investigations. Common areas of fraud form the foundation of the work undertaken, however the wide range of services provided by the Council will always present an opportunity to be exploited. Strong links in high risk areas such as Neighbourhoods and Direct Payments continue to identify suspected fraud requiring investigation. Additional training with the Parking Enforcement Team has seen an increase in Blue Badge investigations. This year has also seen the conclusion of Covid Business Grant investigations, unless any new information comes to light.

Completed investigations - financial year 2022-23	
Completed investigations	180
Prosecutions	9
Housing applications cancelled prior to allocation	28
Housing properties recovered	36

The prosecutions contained within the table included matters relating to Direct Payments, Covid business grants, Blue Badge fraud, Subletting and the theft of a council laptop by a former employee.

Fraud associated with social housing continues to be a large area of fraud identified by the Counter Fraud Unit and continues to be a threat to local authorities. The National Fraud Authority have estimated the cost to be £900m. Tenancy Fraud also has links to anti-social behaviour and has an impact on the demand for social housing, waiting lists and the cost of emergency accommodation on the Council.

Value of fraud for completed investigations - financial year 2022-23	
Council Tax fraud	£41,471
Housing Benefit fraud	£57,090
Covid business grants	£45,000
Direct Payments	£77,879
DWP benefits	£11,138
Value of housing applications cancelled* (notional value)	£90,720
Value of housing properties recovered* (notional value)	£3,348,000
Value of Right to Buy Discount (prevented sales)	£165,800

\*Using the Cabinet Office's calculation methodology

The Cabinet Office provide an estimate for the cost of a fraudulent housing application (£3,240) and a social housing property recovery (£93,000). These are based on the average cost of emergency accommodation, the cost of recovering and re-letting a property and the amount of rent foregone during the void period between tenancies.

While the Council no longer have the ability to prosecute offences of Housing Benefit due to the Welfare Reform Act 2012, investigations into other areas of fraud can identify potential overpayments of benefits. At which time the Counter Fraud Unit will look to liaise with the

council's Revenues and Benefits Department and DWP to amend records, identify overpayments and recover losses.

## Publicity

Raising awareness and celebrating success increases the likelihood of frauds being reported, helps to deter fraudsters from targeting the Council and demonstrates to Sandwell residents what the Council is doing to tackle the issues and protect public money.

Pursuing offenders and having the capability to hold those to account who attack public funds forms part of the Council's anti-fraud strategy. It sends a message to other potential fraudsters and assists with the recovery of losses through the use of the Proceeds of Crime Act 2002.

Several recent investigations conducted by the Counter Fraud Unit have resulted in positive convictions against fraud. These include:

### **Sandwell Council employee tried claiming fake business grant from his own authority**

A Sandwell Council employee tried to fraudulently claim a Covid business rate support from the authority he worked for.

Link: <https://bit.ly/3pDmOvu>

### **Sandwell Council prosecutes woman for £12.6k benefit fraud**

Link: <https://bit.ly/46MWUWS>

### **Businessman fraudulently obtained £10,000 of Covid support money**

A man falsely obtained a Covid grant for £10,000 for a company he used to run in West Bromwich despite it having been dissolved the year before.

Link: <https://bit.ly/44tnaU7>

The work undertaken by the Counter Fraud Unit was also acknowledged by the Cabinet Office's National Fraud Initiative Report for 2022. An investigation was highlighted as a case study (page 30 of the report). It had initially been identified as a potential Council Tax Reduction fraud, but following an investigation resulted in a council property being recovered as well as Council Tax fraud being identified.

Link: <https://bit.ly/3XFtm9d>



#### *Council tax reduction scheme match resulted in recovery of a council property*

A Council Tax Reduction Scheme (CTRS) match highlighted an individual who was claiming from both Sandwell Metropolitan Borough Council (MBC) and a neighbouring council.

As Sandwell MBC's Counter Fraud Unit takes a wider and holistic approach to potential fraud investigations, when looking into this case the individual was also found to be a tenant living in social housing provided by Sandwell MBC. Therefore, there appeared to be a linked tenancy fraud as after acquiring a tenancy in Sandwell, the individual had purported to be homeless to the neighbouring council. The neighbouring council subsequently temporarily housed them before awarding a tenancy.

As the Sandwell tenancy was still a non-secure status, the match allowed Sandwell to identify the fraud quickly enough to serve a Notice to Quit before the tenancy became secured. This resulted in a more cost-effective recovery process. Within six weeks of reviewing the match the fraud was identified, the tenancy was terminated and the property was recovered. The property has since been allocated to an individual who needed social housing.

The NFI match not only allowed the property to be allocated to someone in genuine need, but also resulted in the CTRS claim being cancelled and provided the council's Debt Recovery Officers with a forwarding address of the individual to pursue outstanding Council Tax of £500 and rent arrears of £2,500. The value of fraud detected and prevented for his case totals £96,000 including recovery of the property.



## **Partnership Working**

Audit Services have a partnership working arrangement with West Midlands Fire Service and Sandwell Children's Trust. As part of the arrangements the Counter Fraud Unit continue to provide a service to both organisations.

The Counter Fraud Unit also has a number of other connections and affiliations with local and national organisations, which encourage the use of shared best practice, working arrangements, counter fraud initiatives and the sharing intelligence. The affiliations include:

- National Anti-Fraud Network (NAFN)
- Midland Fraud Group
- National Investigation Officers' Group (NIOG)
- Regional Financial Investigators Group (West Midlands)
- Midland Fraud Forum
- Tenancy Fraud Forum
- National Crime Agency (NCA)

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# Counter Fraud Strategy

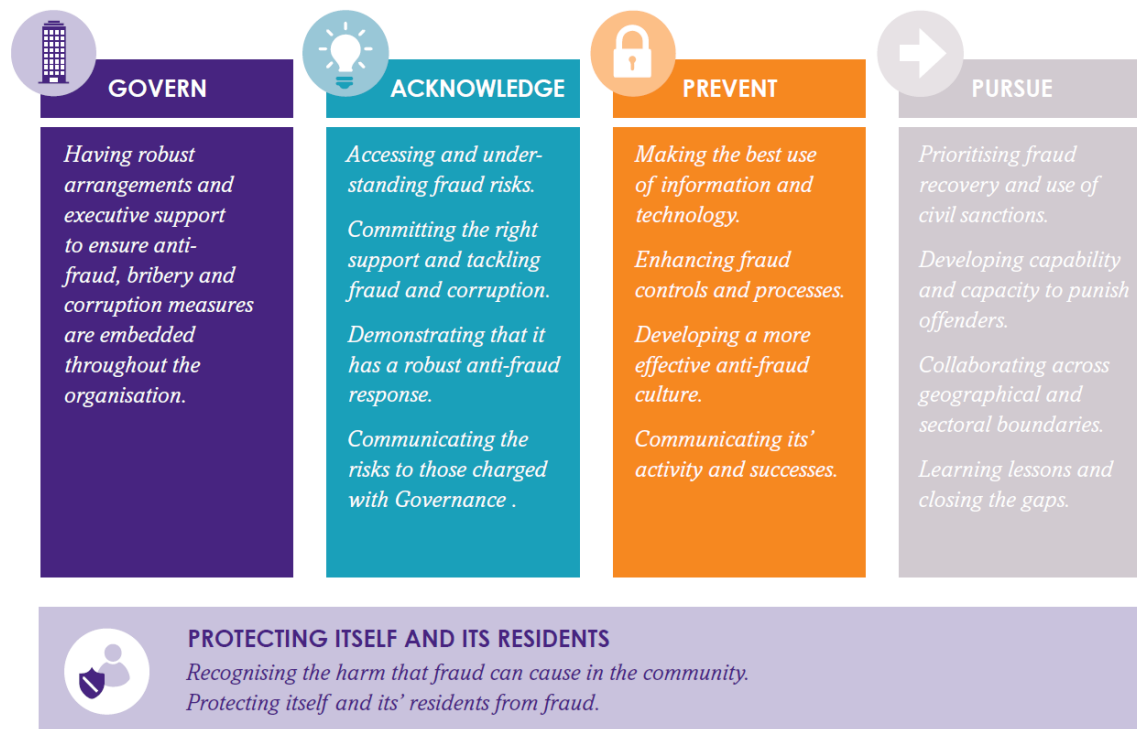
Sandwell Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated.

The Council has a duty to protect to public funds and in times of austerity this is even more impetrative. At a time when the council is under pressure to deliver services with stricter budgets in place, it is vital there is strategy in place to ensure the Council gets the most from its counter fraud resources.

This strategy forms part of the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.

When establishing the Council's Counter Fraud Strategy consideration has been given to several national documents and strategies, these include the Local Government Counter Fraud and Corruption Strategy 2020 and the more recent Government Counter Fraud Profession Strategy 2023-25.

CIPFA's Fighting Fraud & Corruption Locally programme created the Local Government Counter Fraud and Corruption Strategy. It provided a blueprint for a tougher response to fraud and corruption perpetrated against councils. In 2020 changes were made to the key principles of the strategy. Built on the foundation of the original three principles, a new five principle system has been developed. These five principles are: Govern, Acknowledge, Prevent, Pursue and Protect.



The strategy also included the Six C's. Six themes which set out how councils measure and ensure their counter fraud response is comprehensive and effective. These themes have been incorporated into the council's Anti-Fraud & Corruption Policy and the Counter Fraud Strategy.



## Culture

The Council operates a zero tolerance on fraud, corruption and bribery. When there are sufficient grounds, an investigation will be carried. Investigations will be carried out to the highest possible standard and when appropriate, action will be taken to pursue criminality, misappropriation and inappropriate conduct via further proceedings available to the Council. Wherever possible the recovery of lost and stolen monies and/or property from the council will be pursued.

### Whistleblowing

The Council has an established Confidential Reporting Code (Whistleblowing Policy). An avenue which can be used by employees to raise concerns. Reports of fraud or financial misappropriation made through the policy will be referred to Audit Services for investigation.

The Council encourages whistleblowing. Key to this, is building staff confidence in the policy. Reporting methods are promoted through the council's website.

The Counter Fraud Unit also operates other fraud reporting tools, which are available to members of the public, allowing them to raise their concerns via email or through an online reporting tool which allows anonymity.

### Conduct and transparency procedures for employees and elected members

The Council promotes both transparency and high-level behaviour expectations via its Gifts and Hospitality Procedure, the respective Codes of Conduct relevant to employees and elected members and the requirement to declare conflicts of interest.

It is a requirement of the council's Financial Regulations to ensure the Chief Financial Officer is made aware of any fraud, theft, irregularity, improper use or misappropriation of council property or service. Incidents of this nature will be reported to Audit Services for them to be investigated. In instances when an investigation conducted outlines improper behaviour, Senior Officers are responsible for ensuring the council's disciplinary procedures is initiated.

### Prosecutions and alternative penalties

When allegations of fraud are made, criminal action will always be a consideration. Potential criminal proceedings will also act as a deterrent to those considering committing fraud or misconduct. A criminal conviction will also act as an initiation to activate recover proceedings via the Proceeds of Crime Act 2002. Section 222 and 223 of the Local Government Act 1972 give the council the right to prosecute and appear in court. Once an investigation has been completed, if appropriate and if an investigation meets the requirements as set out in the [Code for Crown Prosecutors](#) then a prosecution can be a consideration.

In the absence of a prosecution alternatives actions can be taken, including:

- Council Tax Reduction Penalties, in the case of Council Tax fraud
- Cautions
- Expulsion from the housing registrations waiting list (in the case of social housing fraud investigations)
- The recovery of a council property / termination of a council tenancy
- Disciplinary action, in the case of council employees
- Referral to the Monitoring Office in the case of a Member Code of Conduct breach.

### **Recovering financial losses**

Whenever a financial loss occurs recovery action will be considered. The use of the Council's income collection processes and procedures are used as much as possible, including Council Tax, Business Rates and Housing Benefits. When required to do so, Counter Fraud Officers will provide additional support to service areas to help identify and trace debtors using investigate tools and other council systems.

Other recovery avenues such as the use of the Proceeds of Crime Act 2002, the Prevention of Social Housing Fraud Act 2013 - Unlawful Profit Orders and accessing employee / ex-employee occupational pensions will be a consideration where appropriate.

### **Leadership from the Senior Leaders**

The culture of any organisation is lead from the top. This includes tackling fraud, whether it be promoting and protecting whistleblowers or ensuring there is sufficient capacity to investigate fraud. Elected members, the Chief Executive, Directors and the Senior Leadership Team have the ability and responsible to deliver an anti-fraud culture.

There is also a role for the Council's the Audit and Risk Assurance Committee to challenge counter fraud activity being conducted by the Council, by understanding what the risks are, what measures are in place and what work is undertaken to reduce and investigate fraud and misconduct. Regular reports and updates are taken to the committee to assist them in fulfilling this role.

## Capability

The Council should be satisfied it has a range of appropriate anti-fraud resources and measures deployed to ensure it has the capability to address any risks posed.

### Horizon Scanning

Keeping up to date with emerging fraud trends and identifying possible new risks is a constant cycle. New incentives, services or schemes offered by the Council could attract potential fraudsters. The Council is associated to several professional bodies who supply fraud alerts and intelligence identifying new threats both in the public and private sector. Frauds from a geographical prospective are also taken into account.

### CIPFA Fraud and Corruption Tracker

Participation in CIPFA's Fraud and Corruption Tracker (CFaCT) survey gives the council a national picture of fraud, bribery and corruption across UK councils. It helps the council to understand where fraud losses could be occurring, provide guidance on the value of fraud losses and identify emerging frauds.

### Fraud Risk Register

The Council maintains a Fraud Risk Register, used to rate risk on a RAG (Red/Amber/Green) rating. The register is reviewed on a regular basis to ensure it is up-to-date and in line with current trends. Risks are assessed on the likelihood of them occurring and the impact of such an occurrence.

### Pro-active and Re-Active Work

In order to tackle fraud effectively there is a need to identify fraud and be pro-active in identifying potential fraud. There will always be the need to react to concerns being raised internally or from members of the public, but pro-active work such as data matching is imperative to identify new fraud trends or particular frauds which are more difficult to be identified, such as cross border frauds.

### Data Matching Exercises

Often there are links between a fraud committed against one service area and another, i.e. someone who has provided false information about their housing status may be living in a household where a Single Person Discount fraud is being committed. The ability to cross-check records is becoming more widely used by the council. The Counter Fraud Unit co-ordinate the Council's participation in the Cabinet Officer's National Fraud Initiative data matching exercise. This is a programme on a two-year cycle, where data from public and private organisations is collated and cross matched. Participating agencies receive data match reports

for consideration and investigation. The data matches identify inconsistencies that may require further investigation and allows potentially fraudulent claims and payments to be identified. Additional inhouse checks are also conducted in specific areas.

## **Capacity**

The Section 151 Officer has a duty to ensure proper arrangements are made for the council's financial affairs, this includes having a sufficient response in place to investigate any suspected fraud or irregularities.

Capacity is not solely about response to a potential fraud and the ability to investigate it. The controls and prevention measures in place to reduce and deter fraud is equally as important. Reducing the ability of a potential fraudster accessing the system or service is likely to be more cost effective than suffering loss and having to investigate and pursue at a later date.

## **Internal Audit**

Audits are undertaken on a regular cycle within service areas and schools, dependant on the risks perceived. Managing the risk of fraud is the responsibility of management. Internal Audit alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption.

It will also provide a preventative tool for the council to avoid the possibility of fraudulent practices.

## **The Counter Fraud Unit**

The Council has specialist investigation officers assigned to investigate fraud and corruption when suspicions arise. Investigations will be conducted to a criminal standard, should the evidence obtained need to form an investigation which eventually needs to be presented a court of law. Investigations conducted in this nature are also able to withstand the robust scrutiny of other processes, such as disciplinary proceedings or member's standards investigations. Aside from the conducting investigations, Counter Fraud Officers will provide advice, support and fraud awareness.

## **Compliance Work**

Aside from investigation work, proactive compliance work is undertaken by the Counter Fraud Unit, in conjunction with the Council's Revenues and Benefits department. The aim of the team is to use detection methods and techniques to identify fraud within Council Tax. Predominately this is aimed as Single Person Discount Fraud, however other Council Tax discounts and exemptions are also periodically reviewed.

Since this work began in 2016, officers have reviewed and inspected Council Tax accounts as part of a rolling programme, as opposed to the previous approach which was done on an annual or bi-annual review. This increases the potential detection rate and results in fraud and error being identified earlier meaning that losses are reduced and recovered in a much quicker timescale.

In instances when an incorrect discount has been claimed a statutory [Council Tax Penalty](#) will be applied in accordance with *the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013* to the account in order to deter occurrences in the future.

### **Cabinet Office's AppCheck**

As part of the council's approach to tackling Tenancy Fraud, Neighbourhood Services use the Cabinet Office's 'AppCheck' platform. Using technology as a preventative measure, this software allows the information on housing applications to be verified and identify instances of fraud. The checks undertaken identify issues of falsehood, including names, previous addresses or an individual's circumstances, such as persons with no recourse to public funds. This allows potential tenants to be screened before tenancies are allocated, preventing the need for further investigation and eviction proceedings, both of which can become time consuming and costly. The Counter Fraud Unit is responsible for user access and liaison with Neighbourhood Services should a suspected false application be identified.

### **Fraud Awareness**

In recent years some Councils have found it more difficult to have a dedicated fraud service. This can create capacity issues, therefore it is more important than ever that employees receive fraud awareness and know how to report their concerns. The Council cannot rely solely on the Council's Counter Fraud Unit and Internal Audit to identify fraud, it is the responsibility of service areas to put in place fraud prevention methods and report instances of fraud when discovered or suspected. Fraud awareness training is provided as part of a rolling program. This includes employees in general, elected members and employees in specific areas who are more likely to encounter fraud or have the opportunity to identify it.

## **Competence**

It is important to have the right people with the right skills and standards in place to prevent and investigate fraud and misconduct.

### **Accredited Counter Fraud Specialists**

All investigation officers with the Counter Fraud Unit are Accredited Counter Fraud Specialists, accredited through the University of Portsmouth.

## Experience

Officers within the Counter Fraud Unit have a high level of experience in dealing with investigations, both through the judicial system and internal procedures.

This includes compliance with:

- Police and Criminal Evidence Act 1984 (PACE)
- Regulatory Investigation Powers Act 2000 (RIPA)
- Prevention of Social Housing Fraud Act 2013 (POSHFA)
- Proceeds of Crime Act 2002 (POCA)
- Data Protection Act 2018
- Criminal Procedure and Investigations Act 1996 (CPIA)
- Investigation Powers Act 2016
- The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013
- Human Rights Act 1998
- Relevant council polices

## Training

In order to ensure Counter Fraud Officers have the ability and knowledge to carry out effective investigations, training and development are essential. Officers of the Counter Fraud Unit receive regular training on emerging fraud trends as well as refresher training on existing legislation, including the Data Protection Act and Regulation of Investigatory Powers Act 2000 (RIPA)

## Other Associated Qualifications

Currently the Counter Fraud Unit has a qualified NCA (National Crime Agency) Senior Appropriate Officer and Financial Intelligence Officer and an International Compliance Association accredited Advanced Certificate holder in Anti Money Laundering.

## Specialist Powers

While Council Investigation Officers may not benefit from the powers assigned to that of Police Officers, authorised powers are bestowed to council investigators under the Prevention of Social Housing Fraud Act (PSHFA), The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations and when qualified, the Proceeds of Crime Act 2002. It is vital that officers understand the powers assigned to them and utilise them where possibility to maximise investigation effectiveness.



**Access to premises and documentation**

As prescribed within the Council's Financial Regulations officers from Internal Audit and the Counter Fraud Unit have the right of access to all records, assets, personnel and premises, including those of partner organisations when conducting their enquiries. This is considered to be good practice and meets a requirement of CIPFA' Fighting Fraud and Corruption locally checklist.

**Communication**

Raising awareness and celebrating success increases the likelihood of frauds being reported, helps to deter fraudsters from targeting the council and demonstrates to council residents what their council is doing to tackle the issues and protect public money.

**Fraud Alerts**

Focused on prevention, the Counter Fraud Unit continually receive fraud alerts from several intelligence agencies and professional bodies. These alerts are sifted and dispersed to the relevant service areas (as well as schools where necessary) in order to share the intelligence and raise awareness of any particular fraud. Key contacts in high risk areas have already been established, allowing urgent concerns to be distributed timely.

**Sharing Stories / Acknowledging Success**

Publishing court cases and case studies has been a long-standing tactic used by the Counter Fraud Unit. It acts as a deterrent to potential fraudsters.

Results and articles appear in the local press and on the council's website. Case studies have also received National coverage having appeared on one BBC One TV programmes Saints & Scroungers and Council House Crackdown.

Case studies have also appeared in previous versions of The Audit Commissions' Protecting the Public Purse, CIPFA's Fraud and Corruption Tracker Report and the National Fraud Initiative's Annual Report.

**Audit and Risk Assurance Committee**

An annual fraud report is presented to the committee detailing progress within the annual financial period. In addition to the annual report, progress reports will be issued to the committee, identifying key benchmarking national reports or progress reports in specific areas or investigations.

## Collaboration

CIPFA's Fighting Fraud & Corruption Locally Strategy identifies the need for collaboration by councils. Fraudsters do not respect boundaries, on the contrary if a fraud is proven to be successful fraudsters and often attack similar organisations or councils by using the same techniques. There is a need to be well placed to detect fraudulent activity carried out by individuals and groups. Once detected, intelligence should be shared and disseminated to protect public funds and prevent fraudulent activity continuing.

### Data Sharing

The Council continues to use the National Fraud Initiative, a bi-yearly national data match carried out by the Cabinet Office using data sources from all councils and other public services. The council also use the yearly exercise to target single person discount fraud and have also utilised the Cabinet Office's flexible data matching service, allowing data matches to be carried out more frequently with a tailored approach towards specific areas.

### External groups and membership

In order to ensure both collaboration and to share good practice the Counter Fraud Unit has active memberships and subscriptions with a number of groups designed to combat fraud, this includes:

- CIPFA
- NAFN (National Anti-Fraud Network)
- Midland Fraud Group
- Royal Bank of Scotland
- National Crime Agency FISS (Financial Investigation Support System)
- Midland Fraud Forum
- Intec
- Midland Financial Investigators Group
- International Compliance Association

Representatives from the Counter Fraud Unit regularly attend a selection of regional groups, the purpose being to understand the local fraud landscape, share best practice, intelligence and identify potential cross boarder issues. These groups include;

- Midland Fraud Group - a collection of Midland Council's fraud departments (hosted by Sandwell)
- Midland Fraud Forum - a combination of Public and Private Sector organisations.
- Midland Financial Investigators Group – a group of NCA Accredited Financial Investigators.

### **Links with other Law Enforcement Agencies**

There is often links between frauds against councils and other areas such as benefit fraud, tax evasion, etc. Officers within the Counter Fraud Unit continue to develop links with other agencies locally and nationally, which has resulted to links with:

- West Midlands Police - ROCU (Regional Organised Crime Unit)
- West Midlands Police ECU (Economic Crime Unit)
- Serious Fraud Office
- DWP - Single Fraud Investigation Service
- HMRC
- The Charity Commission

### **Internal Collaboration**

The detection of fraud and misconduct and any subsequent investigation will not be limited to the Counter Fraud Unit. Often it is a service area that will identify and report a concern either to the Counter Fraud Unit directly or to Internal Audit. When the investigation process is commenced, additional advice and support will be needed from other departments such as Legal Services and HR due potential cross-over issues, or the need to involve these departments as the investigation progresses. Close links have been formed with these departments to ensure a cohesive approach in any investigation maintaining processes are followed without impacting the investigation, other associated policy/procedures and the rights of the person being investigated.

Key areas for abuse of fraud are those which involve financial gain and assets. Therefore, strong bonds have been formed with areas who deal with finances and large council assets open to abuse, such as the Council Finance department, Revenues and Benefits and Neighbourhood Services. There is regular liaison between the Counter Fraud Unit and these service areas aimed at increased communication to reduce the threat of fraud occurring.

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# Anti-Fraud and Corruption Policy

## **1 Introduction**

- 1.1 The Council's approach
- 1.2 Criminal offences
- 1.3 Issues of misconduct
- 1.4 Counter Fraud Strategy

## **2 Roles and Responsibilities**

- 2.1 Members
- 2.2 Section 151 Officer
- 2.3 Monitoring Officer
- 2.4 Chief Officers
- 2.5 Management
- 2.6 Employees
- 2.7 School Governors
- 2.8 Audit Services
- 2.9 External Audit

## **3 Reporting Fraud and Concerns**

- 3.1 What to do when fraud is suspected?
- 3.2 How to report fraud
- 3.3 Staff Training

## **4 Investigations by the Counter Fraud Unit**

- 4.1 Conducting an investigation
- 4.2 Conclusion of investigation
- 4.3 The decision to prosecute and alternative actions
- 4.4 Recovery of Loss
- 4.5 Publicity and Deterrent

## **5 Other Related Documents and Links**

- 5.1 Other Council Policies
- 5.2 Officer contacts

## **Appendix 1 - Prosecution criteria and alternatives to prosecution**

## Policy Statement

Sandwell Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. The Council operates a zero tolerance on fraud, corruption and bribery. 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 misappropriated money and assets from the Council. Where appropriate, arrangements will be made to ensure that such cases receive maximum publicity to deter potential fraudsters.

## 1 Introduction

### 1.1 The Council's approach

The policy confirms the council's approach, as well as defining roles and responsibilities for dealing with the threat of fraud, corruption and bribery both internally and externally. It applies to:

- Employees
- Councillors
- Agency Staff
- Contractors
- Consultants
- Governors
- Suppliers
- Service Users

### 1.2 Criminal offences

The [Fraud Act 2006](#) defines fraud as: 'the intention to make gain or cause loss by false representation, failing to disclose information or abuse of position'.

Offences under this act include misrepresentation / supplying false information or document, failing to disclose information, abuse of position and obtaining services dishonestly.

The [Bribery Act 2010](#) defines bribery as: 'the giving or taking of a reward in return for acting dishonestly and / or in breach of the law. The reward could relate to money, payment in kind, goods or services.

There are four offences under the Bribery Act 2010:

- The giving or offering of a bribe
- The request for or acceptance of a bribe
- Bribing a foreign public official
- The failure of a commercial organisation to prevent bribery

The Act supports the council's principle of free and fair competition in contracting and procurement.

Genuine hospitality or similar business expenditure that is reasonable and proportionate is allowable by the Act. The council's [Gifts and Hospitality procedure](#) and [Member Code of Conduct - Gifts and Hospitality](#) detail the council's approach.

Other legislation and offences relating to specific schemes and services exist, including:

- Local Council Tax Reduction Scheme (Fraud and Enforcement) Regulations 2013
- Prevention of Social Housing Fraud Act 2013
- Housing Act 1985
- Road Traffic Regulations Act 1984
- Proceeds of Crime Act 2002

Offences and alleged criminal conduct relating to other legislation will be reviewed and investigated when deemed necessary.

### **1.3 Issues of misconduct**

In addition to criminal offences - corrupt, fraudulent and improper practice or improperly seeking an advantage on any person or for a financial gain are outlined as employee disciplinary issues and breaches of the members code of conduct respectively.

Both employees and elected members are expected to adhere to the relevant code of conduct.

### **1.4 Counter Fraud Strategy**

In conjunction to this document the Counter Fraud Unit (CFU) has produced a Counter Fraud Strategy which outlines how the council identifies and tackles fraud, as well as looking to comply with best practice and national bench marking.

## **2 Roles and Responsibilities**

### **2.1 Members**

Members have a responsibility as the duly elected representatives of Sandwell for ensuring that the assets and resources of the Council are protected from all forms of abuse, including fraud and corruption.

### **2.2 Section 151 Officer**

In accordance with the Local Government Act 1972, the council has an appointed Section 151 Officer. It is the responsibility of the Section 151 Officer to ensure proper arrangements are made for the council's financial affairs and that there are effective procedures in place to investigate any suspected fraud or irregularities.

To comply with the Council's Financial Regulations the Section 151 Officer should be made aware of any fraud, theft, irregularity, improper use or misappropriation of the Council's property or services or financial misconduct. Incidents of this nature will be reported to Audit Services by the Section 151 Officer for investigation.

### **2.3 Monitoring Officer**

The Monitoring Officer has responsibility for administering the Council's Confidential Reporting Code (Whistleblowing Policy). Incidents of whistleblowing shall be reported to the Monitoring Officer. The Monitoring Officer may decide to investigate whistleblowing concerns or delegate the matter to someone else, such as Audit Services.

### **2.4 Chief Officers**

In instances of any fraud, theft, irregularity, improper use or misappropriation of the council's property or services or financial misconduct. Chief Officers should immediately inform the Council's Section 151 Officer.

Where an Audit Service's investigation outlines improper behaviour, Chief Officers are responsible for ensuring the council's disciplinary procedures are initiated.

### **2.5 Management**

It is the responsibility of each manager to establish the internal control systems for their service. The systems in place should ensure that if there is a breach it is promptly identified and the necessary action taken to minimise any potential loss. Management should ensure employees feel able to approach them with any concerns regarding suspected irregularities.

### **2.6 Employees**

All employees of the council should be aware of their role and responsibilities as well as the policies / procedures that they need to comply with. Any employees who are unsure of their role and responsibilities should speak to their line manager.

All employees have a general responsibility for taking reasonable action to ensure the security of the assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.

Employees are the best people to identify fraud and corruption. Anyone who suspects any irregularity should report it. Any employee who intentionally ignores or disregards their duty to report fraud or financial misconduct could face disciplinary action.

### **2.7 School Governors**

All governors should ensure they are aware of their responsibilities and be familiar with the code of conduct outlined by their governing body. Should a governor suspect or detect fraud, financial mis-management or corruption it should be reported to the council. Concerns can also be reported to the Department of Education via their email address: [fraud.reports@education.gov.uk](mailto:fraud.reports@education.gov.uk)

### **2.8 Audit Services**

Audit Services provide an independent and objective function, which includes reviewing system controls, evaluating governance arrangements, risk management and conducting investigations.

In line with the Council's Financial Regulations, Audit Services will be made aware of any fraud or irregularities reported to the Section 151 Officer to investigate. The Counter Fraud Unit (CFU), based within Audit Services have qualified and trained officers, experienced in conducting investigations. It is their role to investigate and prove or disprove allegations of fraud and any related criminal offences.



## 2.9 External Audit

As part of their statutory responsibilities, External Audit will determine whether the council has adequate arrangements in place for standards of financial conduct and preventing and detecting fraud and corruption.

# 3 Reporting Fraud and Concerns

## 3.1 What to do when fraud is suspected?

The council is committed to increasing and actively promoting an anti-fraud and corruption culture where individuals can feel comfortable in voicing their concerns.

Procedures are in place to raise concerns. The council has an established Confidential Reporting Code (Whistleblowing Policy), which enables employees to raise concerns in a confidential manner.

If someone suspects fraud or corruption is taking place it should be reported as soon as possible. Anyone who has concerns is advised to carry out the following where possible:

- Record dates, times or other significant details.
- Make a written note to ensure concerns / irregularities are recalled correctly.
- Secure any evidence
- Ensure concerns are supported with evidence

## 3.2 How to report fraud

Reporting methods include:

- The Counter Fraud Unit: [fraud\\_investigation@sandwell.gov.uk](mailto:fraud_investigation@sandwell.gov.uk)
- The Council's whistleblowing reporting routes [online whistleblowing](#) or [whistleblowing form \(Word doc download\)](#)
- National Audit Office 020 7798 7999 or [report online](#)
- Crimestoppers - 0800 555 111
- Protect - 020 3117 2520 [www.protect-advice.org.uk](http://www.protect-advice.org.uk)

## 3.3 Training

Good fraud awareness training for employees and members can help reduce the amount of fraud that enters the system. It also ensures employees and members understand what fraud is and when to refer the matter. The Counter Fraud Unit will look to:

- Provide a rolling program of fraud awareness to employees where appropriate, as well as to specific teams.
- Distribute fraud alerts, including advice if necessary.
- Ensure Counter Fraud Unit staff undergo professional training and receive regular updates to maintain high quality investigations.

## 4 Investigations by the Counter Fraud Unit

### 4.1 Conducting an investigation

Counter Fraud Officers will assess all allegations reported to them to determine the suitability of the matter for investigation.

The objective of any investigation is to obtain evidence, establish the facts and to prove or disprove any allegation. Information will be collected and collated with a view to bringing the matter to an appropriate conclusion.

Where employees are believed to be involved in any fraud or misconduct, consideration will be made to inform the relevant Service Manager, Director and HR representative (the Monitoring Officer in the case of elected members).

If there is evidence that a criminal offence may have been committed the standards of a criminal investigation will be maintained through:

- Police and Criminal Evidence Act 1984 (PACE)
- Criminal Procedure and Investigations Act 1996 (CPIA)
- Regulation of Investigatory Powers Act 2000 (RIPA)
- Investigatory Powers Act 2016
- Data Protection Act 2018 (DPA)
- Human Rights Act 1998 (HRA)

Consideration will always be given as to whether other organisations, such as West Midlands Police, Department for Works and Pension, HMRC, etc are better placed to investigate allegations of fraud or other criminal behaviour. If required, details will be forwarded to other agencies for their consideration or to conduct a co-operated joint investigation.

### 4.2 Conclusion of Investigation

The completion of an investigation could result in one or more of the following:

- Report to Director / Chief Executive
- Report to Service Area
- Handing case over to HR
- Report to the Monitoring Officer
- Referring to another investigation agency
- Consideration for prosecution proceedings or alternative sanctions
- No further action

### 4.3 The decision to prosecute and alternatives to prosecution

Once an investigation has been concluded a decision will be made as to whether the case meets the necessary criteria for a prosecution to be considered. Where it does, any potential prosecution or alternative sanction will be authorised by the Counter Fraud Lead and Director of Finance / Section 151 Officer. If the matter is referred for prosecution, Legal Services will additionally review the evidence. Further information of prosecution criteria and alternatives to prosecution are detailed in Appendix 1.

#### 4.4 Recovery of Loss

The Counter Fraud Unit will always aim to identify the full extent of fraud and loss so that cost to the council can attempt to be recovered, where appropriate. Civil proceedings as well as the use of Proceeds of Crime Act 2002, Criminal Justice Act 1998 and Prevention of Social Housing Fraud Act 2013 - Unlawful Profit Orders, will be considered. In the case of employees and former employees, pension contributions can be used to recover loss.

#### 4.5 Publicity and Deterrent

In proven cases of fraud and corruption, publicity will always be a consideration in order to act as a deterrent to anyone who may consider committing fraud against the council and to demonstrate such behaviour will not be tolerated.

## 5 Other Related Documents and Links

### 5.1 Other Council Policies

This document is not the Council's sole document in relation to fraud and corruption. The following documents / processes have also been introduced by the council to promote an anti-fraud and anti-corruption culture as well as maintain conduct and standards:

- Confidential Reporting Code (Whistleblowing Policy)
- Gifts and Hospitality
- Code of Conduct for Members and Officers
- Officers Code of Conduct
- Employee declarations of interest
- Anti-Money Laundering Policy
- Financial Regulations
- Procurement and Contracts Procedure Rules
- Disciplinary Policy
- Grievance Policy

### 5.2 Officer contacts

- Simone Hines – Director of Finance and Section 151 Officer  
email: [Simone\\_Hines@sandwell.gov.uk](mailto:Simone_Hines@sandwell.gov.uk)
- Surjit Tour - Director of Law and Governance and Monitoring Officer  
email: [Surjit\\_Tour@sandwell.gov.uk](mailto:Surjit_Tour@sandwell.gov.uk)
- Peter Farrow - Audit Services Manager  
email: [Peter\\_Farrow@sandwell.gov.uk](mailto:Peter_Farrow@sandwell.gov.uk)
- Oliver Knight - Counter Fraud Lead  
email: [Oliver\\_Knight@sandwell.gov.uk](mailto:Oliver_Knight@sandwell.gov.uk)

# Appendix 1 - Prosecution criteria and alternatives to prosecution

## Prosecution

The Local Government Act 1972, allows the council to prosecute (Section 222) and to appear at court in legal proceedings (Section 223).

When considering matters of criminal conduct the principles under the [Code for Crown Prosecutors](#) will be considered. These include the 'evidential test' and the 'public interest test'. It is only when both these tests are satisfied that a case can be considered for prosecution.

In instances when the evidential and public interest tests are met and the loss to the Council exceeds £5,000 the case will usually be referred for prosecution. A prosecution may still be considered where the loss is below this threshold or if there has been no financial loss. However other aggravating factors would need to be present (e.g. previous warnings not being adhered, number of offences, impact on victim, etc).

In investigations when a person fails to attend an interview under caution and sufficient evidence exists, a prosecution will be the preferred option.

In the case of a joint investigation the lead agency will be responsible for initiating further proceedings. Generally, the organisation that initially identify any fraud and invites the other agency to jointly investigate will be the lead.

In cases where a joint investigation is conducted with the DWP their sanction decision should be considered in the first instance to create uniformity between the two investigation agencies.

Where the loss to the Council exceeds £5,000 and a prosecution is not the preferred option suggested by both the Investigation Officer and the Counter Fraud Lead, agreement will be sought from the Section 151 Officer to consider and, where necessary, authorise the alternative sanction.

Prosecution will be the preferred option in cases where a member or council employee, who is in a position of trust and / or authority, has been investigated (only when the evidential and public interest tests have been met).

## Council Tax Support Penalty

Section 11 of The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 allows a financial penalty to be offered to an individual, in relation to Council Tax Support offences.

The penalty is set at £100 or 50% of the overpayment, whichever is greater (up to a maximum of £1,000). Penalties can be offered when an overpayment has occurred, or in the case of an 'attempt' if the fraud is detected before payment is made.

Should the penalty not be accepted the matter should be referred for prosecution.

**Caution**

A formal caution is an oral warning given to a person who has committed an offence and who is then required to make a written admission to the offence acknowledging that they have received a caution in return for not being prosecuted through the criminal courts.

In order to offer a caution the individual must have admitted the offence during the interview under caution and the loss to the council should not exceed £5,000. If the caution is not accepted the matter should be referred for prosecution.

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## Audit and Risk Assurance Committee

20 July 2023

<b>Subject:</b>	Borough Economy Directorate Risk Register Report
<b>Director:</b>	Director of Borough Economy Alice Davey
<b>Contact Officer:</b>	Audit Services Business Partner Narinder Phagura <a href="mailto:Narinder_phagura@sandwell.gov.uk">Narinder_phagura@sandwell.gov.uk</a>

### 1 Recommendations

1.1 To note and comment on the directorate risks.

### 2 Reasons for Recommendations

- 2.1 Effective risk management is a key element of good corporate governance, as noted in the council's [Code of Corporate Governance](#), and is essential to the overall performance of the council in meeting its corporate plan objectives. Good risk management will ensure that resources are used efficiently and effectively and that assets and resources are protected against risk in the most efficient way.
- 2.2 The role of the ARAC is to provide assurance to the Council that it has a system of governance, risk management and internal control in place and that the adequacy and effectiveness of these arrangements continue to inform decision making. Thereby, it provides assurance that risks to the delivery of the council's key priorities are being managed.
- 2.3 The Committee will be aware that these risks are managed through the council's risk management process which is set out in its Corporate Risk



Management Strategy, and involves the development of risk registers at strategic, directorate, operational and project levels.

#### Risk hierarchy



2.4 Ownership of the individual directorate risks is assigned to the director and service managers, who have responsibility to:

- Consider and agree the risk description
- Assess the current risk score based upon the controls in place and the assurances they have received on the adequacy and effectiveness of these controls
- Implement mitigating actions to reduce the risk scores where necessary, in order to deliver the target risk score by the target date.

2.5 The Director is also responsible for keeping the Cabinet Members informed of the relevant risks that fall within their portfolio and the implementation of mitigating actions.

2.6 Further ongoing reviews of the directorate register are undertaken by the Directorate Management Team on a regular basis.







2.7 A summary of the directorate risks is included at Appendix A of this report which notes no red risks, 6 amber risks and 3 green risks. This summary register should be considered alongside the council's strategic risk register which also includes risks which the directorate has





responsibility for managing (including Emergency Planning, Business Continuity Management and Borough Archives), or will contribute to the management of.

### 3 How does this deliver objectives of the Corporate Plan?

	Best start in life for children and young people
	People live well and age well
	Strong resilient communities
	Quality homes in thriving neighbourhoods
	A strong and inclusive economy
	A connected and accessible Sandwell
<p>The report details the key directorate risks that need to be managed to ensure that they do not negatively impact on the delivery of the directorate business plan and thereby the Corporate Plan objectives.</p>	

### 4 Context and Key Issues

4.1 This report updates the Committee on the profile of the key risks currently faced by the Borough Economy directorate. The directorate risk register may not include all of the risks faced by the directorate. Other risks are captured within service, programme and project risk registers and assessments, in line with the Council's risk management framework as noted above.

4.2 The directorate incorporates the following areas:

- Highways
- Taxi licensing
- Community Safety
- Environmental Health and Trading Standards
- Waste Management
- Street Cleansing



- Fleet Services
- Leisure Services
- Libraries and Archives
- Museums, Events and Cultural Services

4.3 The risk register is a live document and reflects the risk profile at the time of preparing this report in June 2023. The risks undergo ongoing review to ensure they remain appropriate and are assessed in order to aid informed decision making and resource allocation.

4.4 An update of the risks, including the measures in place to mitigate them are included within appendix A.

## 5 Alternative Options

5.1 Whilst this report does not require a decision and therefore, alternative options do not need to be considered, when measures are being considered for the mitigation of each of the directorate risks, this takes into account any alternative options available.

## 6 Implications

<b>Resources:</b>	The authority’s budget planning process incorporates financial and other resources required to manage the authority’s risks and deliver the priorities within the corporate plan.
<b>Legal and Governance:</b>	There are numerous standards applicable to the management of risk within the local authority sector. Included amongst these is guidance from CIPFA/Solace, the British Standards Institute (BSI) and a set of joint standards published by the Institute of Risk Management (IRM), Alarm (The public sector risk management association) and AIRMIC (Association of Risk Managers in Industry and Commerce). Evidence that robust management of the authority’s risks is being undertaken demonstrates compliance with these standards.



<b>Risk:</b>	The report itself is an update of the key risks facing the directorate.
<b>Equality:</b>	As a decision is not being sought in this report, it is not necessary to undertake an Equality Impact Assessment. However, when measures and decisions are being considered for the mitigation of risks, risk owners must take into account any equalities impact and whether an equalities impact assessment is required.
<b>Health and Wellbeing:</b>	The management of risk takes into account where appropriate, the implications on health and wellbeing of our communities.
<b>Social Value</b>	The actions and decisions that are being considered for the mitigation of the risks, will take into account where appropriate, the meeting of the Council's social value commitments.
<b>Climate Change</b>	The actions and decisions that are being considered for the mitigation of the risks, will take into account where appropriate, the Council's climate change agenda.
<b>Corporate Parenting</b>	There are no corporate parenting implications arising from this report.

## 7. Appendices

Appendix A – Directorate risk register summary as at June 2023

## 8. Background Papers

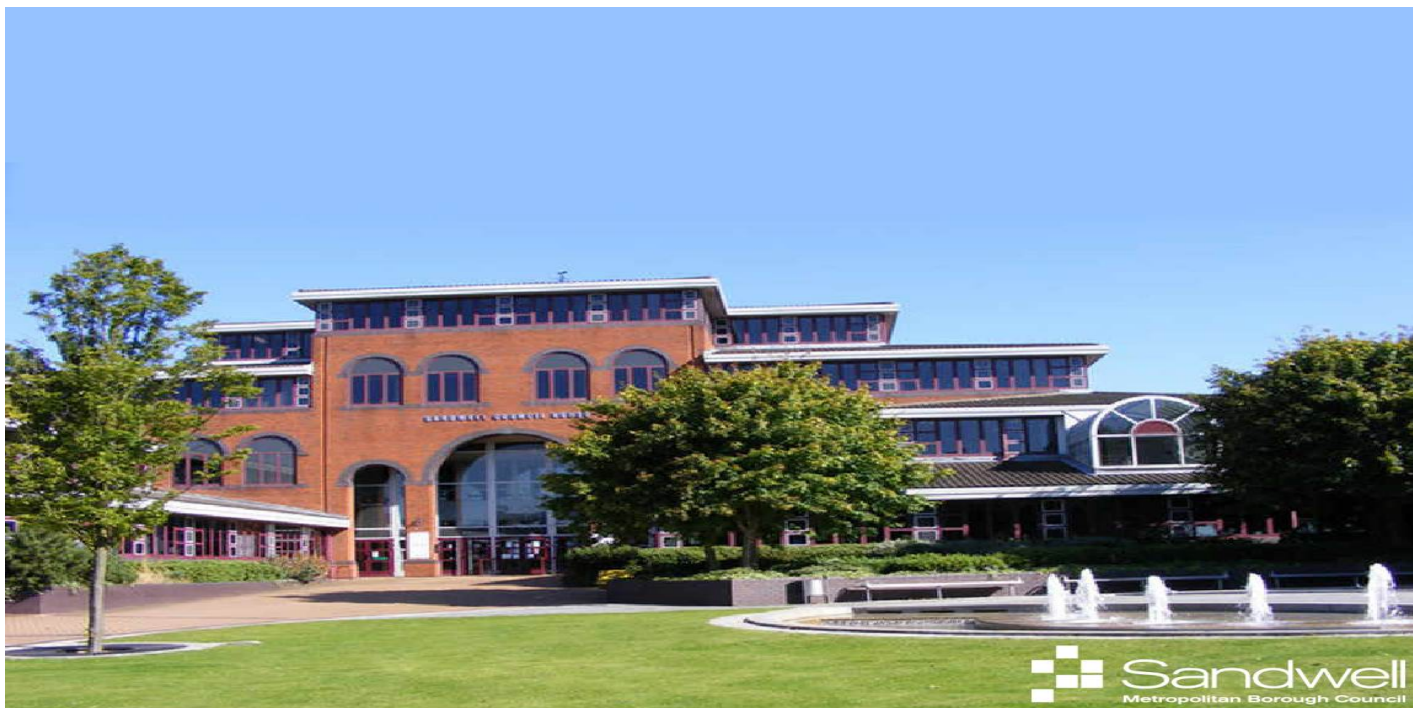
None



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<b>RED</b>	
<b>AMBER</b>	1, 2, 3, 5, 6, 8
<b>GREEN</b>	4, 7, 9

## Borough Economy Directorate Risk Register



1. Best start in life for children and young people



2. People live well and age well



3. Strong resilient communities



4. Quality homes in thriving neighbourhoods





5. A strong and inclusive economy





6. A connected and accessible Sandwell



### Directorate business plan priorities

1. Vibrant centre of culture and leisure	2. A place where communities feel safe and secure	3. Safe and efficient highways, streets, paths and parking	4. Improved contract management	5. Contribution to net zero targets including efficient fleet and waste services	6. Increased customer focus including service modernisation
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Risk Ref	Risk Title and Description	Previous score	Movement in risk score	Current risk score (Jun 2023)	Target risk score and date	Progress to Date (incl. current risk mitigating controls and further actions to be taken to manage risk and action date)									
01	<p><b>Domestic Homicide</b></p> <p>If the directorate does not implement the actions required from Domestic Homicide Reviews (DHRs) then there is a risk of loss of life for those vulnerable to domestic homicide incidents.</p> <p>Risk Owner; Assistant Director Borough Economy, Public Protection and Community Safety</p>	8 (amber)		8 (amber)	4 (green)  March 2024	<p><b>Current and ongoing controls</b></p> <ul style="list-style-type: none"> <li>DHR learning events approach in place.</li> <li>Domestic Abuse Strategic Group in place with representation from all key partners.</li> <li>Domestic Abuse Strategy adopted with needs assessment.</li> <li>Domestic abuse refuge with 24 hour support in place including dispersed accommodation for specific needs.</li> <li>New Burdens Funding has been confirmed for 23-24 and 24-25.</li> </ul> <p><b>Further Actions</b></p> <ul style="list-style-type: none"> <li>Some domestic abuse funding is for a limited time only until March 2025. The directorate therefore needs to ensure that appropriate resources will need to be considered for beyond this date. (March 24)</li> <li>A regional approach to work with perpetrators is needed, that is based on research and best practice (Mar 2024).</li> </ul>									
02	<p><b>Road Safety</b></p> <p>If the council does not have a robust strategic road safety plan in place then the council would fail to discharge its statutory obligations in respect of the Duty of Care and duties under the Road Traffic Act 1988. The statutory duties are met by identifying the causes of injury accidents, undertaking improvement schemes to mitigate further injury accidents, providing road safety education, enforcing traffic regulations and promoting road safety. This would risk the escalation of injury accidents and loss of life as well as financial loss arising from claims for compensation being lodged against the council together</p>	8 (amber)		8 (amber)	4 Green  Winter 2024	<p><b>Current and ongoing controls</b></p> <ul style="list-style-type: none"> <li>The Sandwell Strategic Road Safety Plan is aligned with the West Midlands Regional Road Safety Plan, the National Road Safety Statement 2019 and the United Nations Global Plan for Road Safety.</li> <li>The Sandwell Strategic Road safety Plan sets out how the Council will discharge its statutory Duty of Care and duties under the Road Traffic Act 1988</li> </ul> <table border="1" data-bbox="1317 1072 2168 1310"> <thead> <tr> <th>Reduction in Casualties 2017 to 2021 (3 yr. Rolling Averages)</th> <th>Total Casualties</th> <th>Total Killed and Seriously Injured</th> </tr> </thead> <tbody> <tr> <td>West Mids Average</td> <td>-14.90%</td> <td>-11.70%</td> </tr> <tr> <td>Sandwell</td> <td>-18.72%</td> <td>-15.28%</td> </tr> </tbody> </table> <p><b>Further Actions</b></p> <ul style="list-style-type: none"> <li>Summer 2023 Review of accident statistics 2017 to 2022.</li> </ul>	Reduction in Casualties 2017 to 2021 (3 yr. Rolling Averages)	Total Casualties	Total Killed and Seriously Injured	West Mids Average	-14.90%	-11.70%	Sandwell	-18.72%	-15.28%
Reduction in Casualties 2017 to 2021 (3 yr. Rolling Averages)	Total Casualties	Total Killed and Seriously Injured													
West Mids Average	-14.90%	-11.70%													
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Risk Ref	Risk Title and Description	Previous score	Movement in risk score	Current risk score (Jun 2023)	Target risk score and date	Progress to Date (incl. current risk mitigating controls and further actions to be taken to manage risk and action date)
	with potential reputational damage associated with claims of negligence.  Risk Owner; Highways Service Manager, for the Management and implementation of the approved Strategic Road Safety Plan within available budgets.					<ul style="list-style-type: none"> <li>Review and update the Sandwell Strategic Road Safety Plan 2024-30 (Summer 2023), with Scrutiny Review (Autumn 2023) and Cabinet approval (winter 2023/24)</li> </ul>
03	<p><b>Improvement Plan</b></p> <p>If the directorate does not successfully implement the necessary actions noted within the council wide improvement plan (and in particular those relating to the Sandwell Leisure Trust, the Waste contract with Serco, contract management and Events management), then this may result in a loss of trust in the Council's ability to deliver its corporate priorities, the improvement plan which in turn would result in extended government intervention and reputational harm to the Council.</p> <p>Risk Owner; Director of Borough Economy</p>	12 (red)		8 (amber)	4 (green)  Jan 2024	<p><b>Current and ongoing controls</b></p> <ul style="list-style-type: none"> <li>Restructure of Directorate based around the requirements of the Improvement Plan and Grant Thornton Report – completed</li> <li>Contract monitoring framework in place and embedded into the performance management framework for leisure and waste</li> <li>Arrangements to extend the termination of services period with SLT and provide final report to Cabinet by end Sept 2023</li> <li>Appoint to three Assistant Director posts – completed end April 2023</li> <li>Implementation of street cleansing recovery plan (Mar 2023).</li> <li>Implementation of fleet replacement underway (Mar 2023).</li> <li>Event governance framework adopted and embedded</li> </ul> <p><b>Further Actions</b></p> <ul style="list-style-type: none"> <li>Final fleet delivery for Serco due early Jan 2024</li> </ul>
04	<p><b>Client Function &amp; Contract Performance Failure</b></p> <p>If the Directorate does not establish a contract management function and monitoring team there is a risk that key contracts will not deliver efficiently or that service failure will be experienced.</p>	6 (green)		6 (green)	6 (green)  Achieved	<p><b>Current and ongoing controls</b></p> <ul style="list-style-type: none"> <li>Agreement to establish system on Intend Contract Management module to improve tracking of contractual compliance.</li> <li>Consultant appointed to review waste contract.</li> <li>Leadership reporting framework established</li> <li>Assistant Director appointed to new role manage major contracts for waste, leisure and parking</li> </ul>



Risk Ref	Risk Title and Description	Previous score	Movement in risk score	Current risk score (Jun 2023)	Target risk score and date	Progress to Date (incl. current risk mitigating controls and further actions to be taken to manage risk and action date)
	Risk Owner; Director of Borough Economy					<ul style="list-style-type: none"> <li>Staff team supporting contract management trained for leisure and waste (June 2023).</li> </ul> <b>Further actions</b> <ul style="list-style-type: none"> <li>Complete development of contract module on Intend system (July 2023)</li> </ul>
05	<p><b>Health and Safety</b></p> <p>The Borough Economy Directorate manages and delivers key services, directly and indirectly (through contractual arrangements) such as parks, open spaces, cultural facilities, libraries, leisure activities etc. If the appropriate health &amp; safety arrangements including inspections are not in place there is a risk of insurance claims being made against the Council and limited resources being used to defend and / or pay for compensation claims.</p> <p>Risk Owner; Director Borough Economy, (Green Spaces, Libraries, Leisure, Waste)</p>	8 (amber)		8 (amber)	4 (green)  Mar 2024	<p><b>Current and ongoing controls</b></p> <ul style="list-style-type: none"> <li>Compliance with corporate health and safety requirements</li> <li>Regular contract meetings in leisure &amp; waste with Health and Safety on agenda including RIDDOR accidents.</li> <li>Statutory compliance checks for leisure SLT sites are in place. Inspections also in place on a regular basis for highways assets and parks/open spaces.</li> <li>Implementation of findings of Health and Safety accident review in parks (Nov 2022).</li> <li>Add Statutory compliance checks for key service contracts within contract management and onto Intend contract management system where possible</li> <li>Inspections moving onto PSS Live system to improve monitoring and action tracking now completed.</li> </ul> <p><b>Further actions</b></p> <ul style="list-style-type: none"> <li>Ongoing implementation of the above controls will enable the risk to be further reduced.</li> </ul>
06	<p><b>Asset Management and Maintenance of Highway Infrastructure</b></p> <p>If the council does not have a robust plan in place to maintain its highway network, then defective infrastructure will not be identified and will result in a failure of the council to discharge its statutory duties under the Highways Act 1980. This will mean</p>	8 (amber)		8 (amber)	4 (green)  Feb 2024	<p><b>Current and ongoing controls</b></p> <ul style="list-style-type: none"> <li>Highways Infrastructure Asset Management Policy in place, establishes an Asset Management approach based on the principles of evidence-based risk management for the cyclical maintenance of infrastructure. The Policy aligns with the West Midlands Strategic Transport Plan (WMSTP), 'Movement for Growth'</li> <li>Highways Infrastructure Asset Management Strategy and Plan in place, which establish the council's asset management processes, setting out how the Policy will be delivered. The Plan aligns with the</li> </ul>



Risk Ref	Risk Title and Description	Previous score	Movement in risk score	Current risk score (Jun 2023)	Target risk score and date	Progress to Date (incl. current risk mitigating controls and further actions to be taken to manage risk and action date)
	<p>defects not being repaired in a timely fashion and the rapid expansion of red risk condition with an unsustainable escalation of repair costs. Associated risks would also arise concerning failure to discharge statutory duties for road safety and traffic management.</p> <p>Risk Owner; Corporate for the allocation of appropriate resources to deliver the approved Highway Infrastructure Asset Management Policy, Strategy and Plan. Management and Implementation of the Strategy and Plan by the Highways Service Manager within approved budgets</p>					<p>Well Managed Highway Infrastructure Code of Practice and sets out asset management methodology for maintaining, developing and operating the council's highway infrastructure in a cost-effective way.</p> <ul style="list-style-type: none"> <li>• Full carriageway inventory held and survey completed.</li> <li>• Regular inspection programme in place to detect defects and carry out repairs on a risk basis.</li> <li>• Rolling two year forward programme of planned maintenance works in place.</li> <li>• Regular benchmarking via West Midlands Highways Alliance.</li> <li>• Red risks identified and actioned appropriately</li> <li>• Cabinet Report approved Capital funding for 2022/23 and 2023/24 as part of MTFP in November 2022</li> </ul> <p><b>Further Actions</b></p> <ul style="list-style-type: none"> <li>• Implement a programme of infrastructure renewal during 2023/24 using approved capital</li> <li>• Cabinet Report Update on Capital Funding Infrastructure Plan for 2023/24 and funding for 2024/25 (Feb 2024)</li> </ul>
07	<p><b>Community Safety</b></p> <p>Whilst there is no known significant specific or particular threat for Sandwell.</p> <p>If the council does not work with partners to put in place suitable arrangements with the aim of preventing terrorism and radicalisation in Sandwell then it will be unable to effectively discharge its statutory duties.</p> <p>Risk owner: Assistant Director Borough Economy, Public Protection and Community Safety</p>	9 (amber)		6 (green)	6 (green)  Achieved	<p><b>Current and ongoing controls</b></p> <ul style="list-style-type: none"> <li>• Extensive communications to raise awareness and resources have been made available and shared with partners,</li> <li>• The Prevent team is keeping in regular contact with Partners and Community partners by sending out relevant information and awareness raising messages through email and now also on Instagram and Twitter, to reach out to general public and partners.</li> <li>• Designated Safeguarding Leads in schools and on social media by the council's Prevent Team.</li> <li>• A Protect and Prepare Board has been established to prepare for the new protect duty under the draft Terrorism (protection of premises) draft bill (Martyns Law).</li> <li>• Implementation of any actions for local authorities arising from the recommendations arising from the independent review of Prevent to the 34 recommendations made and the government's response to these.</li> </ul>

Risk Ref	Risk Title and Description	Previous score	Movement in risk score	Current risk score (Jun 2023)	Target risk score and date	Progress to Date (incl. current risk mitigating controls and further actions to be taken to manage risk and action date)
						<b>Further actions</b> Review delivery of prevent statutory duty in the context of the phased withdrawal of funding by the Home Office from April 2024.
08	<b>Accumulation of Waste</b> The disruption to waste and street cleansing services may cause fire or be a target for arson and other risks to public health due to combustion, dangerous fly tip or other waste being in public places.  Risk Owner: Assistant Director Contracts, Projects, Strategy and Policy	12 (red)		9 (amber)	6 (green)  July 2023	<b>Current and ongoing controls</b> <ul style="list-style-type: none"> <li>Legal advice to understand options for any illegal picketing or blockade of key sites</li> <li>Police joint work to understand options for enforcement due to blockading of key sites</li> <li>Police implementation of Command structure to enforce illegal trespass</li> <li>Consideration of Serco employment of security if required to retain control of land with police support</li> <li>Ongoing negotiation by Serco with unions to resolve industrial action</li> </ul> <b>Further Actions</b> <ul style="list-style-type: none"> <li>BCP revised with Serco – by end July 2023</li> <li>Fleet resilience consideration by end July 2023</li> <li>Mobilisation of mutual aid arrangements</li> </ul>
09	<b>Libraries review</b> If the Council fails to adequately consult on changes to number, location and pattern of libraries a judicial review and/or intervention by the Secretary of State via The Libraries Minister is possible.  Libraries are statutory in line with the 1964 Public Libraries and Museums Act.	9 (amber)		6 (green)	3 (green)  Mar 2024	<b>Current and ongoing controls</b> <ul style="list-style-type: none"> <li>Patterns of use and data in relation to each library maintained and updated.</li> <li>Regular and ongoing consultation on a library by library basis with residents prior to any changes</li> </ul> <b>Further actions</b> <ul style="list-style-type: none"> <li>Updates to leadership team as required</li> <li>Cabinet member briefed in relation to any proposed changes</li> <li>Use of Council's Consultation Hub for engaging with residents in relation to changes</li> <li>Clear communications on rationale for any changes</li> </ul>

Risk Ref	Risk Title and Description	Previous score	Movement in risk score	Current risk score (Jun 2023)	Target risk score and date	Progress to Date (incl. current risk mitigating controls and further actions to be taken to manage risk and action date)
	Risk Owner: Assistant Director Libraries, Archives, Information Services, Heritage and Tourism					

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## Report to Audit and Risk Assurance Committee

20 July 2023

<b>Subject:</b>	Strategic Risk 057b- Customer Journey
<b>Directors:</b>	Director of Regeneration and Growth, Tony McGovern
<b>Contact Officer:</b>	Strategic Lead Customer Helen Green <a href="mailto:helen_green@sandwell.gov.uk">helen_green@sandwell.gov.uk</a> Business Partner- Audit Services Narinder Phagura <a href="mailto:Narinder_phagura@sandwell.gov.uk">Narinder_phagura@sandwell.gov.uk</a>

### 1 Recommendations

1.1 To note and comment upon the Customer Journey strategic risk.

### 2 Reasons for Recommendations

2.1 One of the roles of the Committee is to assure itself that risks to the delivery of the Council's corporate plan and objectives are being managed.

2.2 The Strategic Risk Register was last presented to Audit and Risk Assurance Committee (ARAC) on 16 March 2023. At this meeting members requested details of the strategic risk in respect of the Customer Journey to be presented to a future meeting of the Committee for further detailed review.

### 3 How does this deliver objectives of the Corporate Plan?


	<b>Best start in life for children and young people</b> <b>People live well and age well</b>
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	<p><b>Strong resilient communities</b>  <b>Quality homes in thriving neighbourhoods</b>  <b>A strong and inclusive economy</b>  <b>A connected and accessible Sandwell</b></p> <p>The management of the customer journey risks impacts the successful delivery of all of the council's corporate plan priorities and is the focus of the council's transformation and improvement plan 2023/24.</p>
	
	
	
	

## 4 Context and Mitigating Controls

4.1 This report provides detail on the measures in place to manage strategic risk 057b – Customer Journey. A summary of the risk and the current position is provided below.

Risk title and description	Previous score Mar 2023)	Direction of travel	Current score (Jul 2023)	Target score and date
<p><b>Customer Journey</b></p> <p>If the Council does not develop a Customer Experience Strategy and ensure a full review of its Customer Journey and Contact channels (including effectiveness and responsiveness of these services) takes place, then this could result in reputational damage to the Council.</p> <p>Risk area - Corporate Customer</p> <p>Risk owner – Director of Regeneration and Growth</p> <p><b>Objectives impacted - All</b></p>	<p>12</p> <p><b>Red</b></p>		<p>12</p> <p><b>Red</b></p>	<p>8</p> <p><b>Amber</b></p> <p>October 2024</p>

4.2 Some of the key current and ongoing controls to manage the risk include:



### a) Resident and Perception Survey and Budget Consultation

As part of the improvement plan actions, the council has developed a new corporate approach to consultation and engagement.

In May 2022, the council commissioned a market research agency to conduct a borough wide residents' survey to support evidence based policy, service delivery and performance management. The results and findings were analysed by the Research and Intelligence Team and reported to Cabinet in December 2022.

### b) Customer Journey Programme Board

A Customer Journey Programme Board has been established with the Finance Director and Director of Regeneration and Growth as the Senior Responsible Officers. The Board includes representation from services across the council including, the Revenues and Benefits Service; the Transformation Team; Customer Services team and Housing. Meetings take place monthly with more informal meetings also taking place fortnightly to discuss progress on actions.

The customer journey programme in place is lead by officers in the Corporate Customer Team and supported by the Corporate Transformation Team. The programme consists of the following key areas:

- Development of a Customer Experience Strategy
- One Stop Shop/ Community Hubs (with a six month pilot already commenced in March 2023 at both West Bromwich and Blackheath Libraries). A report to Leadership Team is being presented in June to assess the performance to date and future direction.
- Contact Centres and
- Technology (with SOCITM support who will be reviewing the Customer Relationship Management System)

Performance in each of the areas is reported to Cabinet and Leadership Team via a monthly performance report.



### c) Elected Member Involvement and Assurance

Focus sessions with Cabinet have taken place and progress reports on the Customer Journey Action Plan and key deliverables are presented to the Leadership Team and Cabinet on a monthly basis.

In 2022, the Budget and Corporate Scrutiny Management Board agreed to investigate the experience of Sandwell residents when accessing or requesting Council services/ the “Customer Journey”, in response to:

- Addressing the objectives of the Council’s Improvement Plan to improve the customer journey experience.
- Concerns raised by residents about response times to queries.
- Members’ experiences when trying to contact services/individual officers.
- Improving communication between residents and the council.

A scope of the review was agreed by the Board in January 2023 and included the setting up of a working group to look at areas including the method of how council services are accessed (physical, digital, telephone); services to those who are digitally excluded or have disabilities and efficiency and response times of the customer portal.

The investigation and review by the working group has been completed and involved:

- The Group holding two half day sessions to obtain information from various departments.
- Detailed analysis of the Resident survey to better understand public perception of customer service
- Performance data review and feedback with contact centre officers
- Site visits to the contact centre and One Stop Shop by elected members.

A report setting out the findings and recommendations of the review has been drafted and is being presented to the Board at its meeting in July.

### d) Telephony

A business case for a new telephony system has been developed and was approved in February 2023. The procurement for this is currently





underway with a view to awarding a contract by August 2023, with a six to nine month implementation period thereafter.

#### 4.3 Further actions

The above ongoing measures and actions will continue to assist in the management of the risk until there is assurance that there is consistency of customer experience right across the council and not just in some areas as is presently the case.

### 5 Alternative Options

5.1 Whilst this report does not require a decision and therefore, alternative options do not need to be considered, when measures are being considered for the mitigation of the strategic risk, alternative options are considered and explored.

### 6 Implications

<b>Resources:</b>	The identification and management of risks is used to inform the allocation of limited resources (financial and staffing) in order that risk is managed effectively and to an acceptable level.
<b>Legal and Governance:</b>	There are numerous standards applicable to the management of risk within the local authority sector. Included amongst these is guidance from CIPFA/Solace, the British Standards Institute (BSI) and a set of joint standards published by the Institute of Risk Management (IRM), Alarm (The public sector risk management association) and AIRMIC (Association of Risk Managers in Industry and Commerce). Evidence that robust management of the authority's strategic risks is being undertaken demonstrates compliance with these standards.
<b>Risk:</b>	The report itself is an update on how the risk is being managed by the Council.
<b>Equality:</b>	As a decision is not being sought in this report, it is not necessary to undertake an Equality Impact Assessment.
<b>Health and Wellbeing:</b>	As a decision is not being sought in this report, there is no direct impact on health and wellbeing from the



	recommendations being sought. The planned mitigations to manage the risk however will take account of any health and wellbeing implications.
<b>Social Value</b>	The actions and decisions that are being considered for the mitigation of the risk, where appropriate, will take into account the meeting of the Council's social value commitments.
<b>Climate Change</b>	The actions and decisions that are being considered for the mitigation of the risk, where appropriate, will take into account the meeting of the Council's climate change agenda.
<b>Corporate Parenting</b>	There are no corporate parenting implications arising from the recommendations in this report.

## 6 Appendices

None

## 7. Background Papers

Strategic Risk Register



## Report to Audit and Risk Assurance Committee

**20 July 2023**

<b>Subject:</b>	Internal Audit Annual Report 2022/23
<b>Director:</b>	Simone Hines Director of Finance/Section 151 Officer
<b>Contact Officer:</b>	Peter Farrow Audit Services and Risk Management Manager, <a href="mailto:peter_farrow@sandwell.gov.uk">peter_farrow@sandwell.gov.uk</a>

### 1 Recommendation

- 1.1 Review and comment upon the Internal Audit Annual Report 2022/23.

### 2 Reasons for Recommendation

- 2.1 To inform the Committee of the contents of the Internal Audit Annual Report for 2022/23, which also provides an opinion on the adequacy and effectiveness of the council's governance, risk management and control processes.



### 3 How does this deliver objectives of the Corporate Plan?

Internal Audit operates across the council and helps it accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

### 4 Context and Key Issues

- 4.1 The main purpose of the report is to provide the Audit and Risk Assurance Committee and the Section 151 Officer with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes. The contents of the report also provide one element of the evidence that is required to underpin the Council's Annual Governance Statement.
- 4.2 It summarises the audit work undertaken during the year in a tabular format. This includes:
- the areas subject to review during the year (Auditable Area)
  - an assessment of the assurance need assigned to each auditable area (high, medium or low)
  - the number and type of recommendations made as a result of each audit review
- 4.3 Finally, it provides a summary of the key control issues that arose during the year that in the opinion of Audit Services should be brought to the attention of the Audit and Risk Assurance Committee and the Section 151 Officer.



## 5 Alternative Options

- 5.1 The purpose of the report is to inform the Audit and Risk Assurance Committee of the Internal Audit Annual Report for 2022/23. As such, there is no alternative option.

## 6 Implications

<b>Resources:</b>	There are no direct resource implications arising from this report.
<b>Legal and Governance:</b>	Internal audit is a statutory service in the context of the Local Government Accounts and Audit Regulations (Amendment)(England) 2015. The Act states that: <i>“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”</i> . These Standards have been adopted by the council’s internal audit section.
<b>Risk:</b>	The agreed actions detailed in Internal Audit reports are designed to mitigate risks.
<b>Equality:</b>	It was not necessary to undertake an Equality Impact Assessment.
<b>Health and Wellbeing:</b>	There are no direct health and wellbeing implications from this report.
<b>Social Value</b>	There are no direct social value implications from this report.

## 7. Appendices

There are no appendices.

## 8. Background Papers

Internal Audit Annual Report 2022/23.



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# Annual Internal Audit Report - 2022/23



## 1 Introduction

1.1 Our internal audit work for the period from 1 April 2022 to 31 March 2023 was carried out in accordance with the internal audit plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the council's governance, risk management and control processes. In this way, our annual report provides one element of the evidence that underpins the Annual Governance Statement the Council is required to make within its annual financial statements. This is only one aspect of the assurances available to the council as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the council may rely could include:

- The work of the External Auditors (Grant Thornton)
- The result of any quality accreditation
- The outcome of any visits by HMRC
- Other pieces of consultancy or third-party work designed to alert the council to areas of improvement
- Other external review agencies (LGA, CIPFA etc.)

As stated above, the framework of assurance comprises a variety of sources and not only the Council's internal audit service. However, internal audit holds a unique role within a local Council as the main independent source of assurance on all internal controls. Internal audit is therefore central to this framework of assurance and is required to acquire an understanding not only of the council's risks and its overall whole control environment but also all sources of assurance. In this way, internal audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. Also, consideration of the Council's governance, risk management, ethics-related objectives programmes and activities, and information technology governance is implicit in all internal audit activity.

1.2 The definition of internal audit, as described in the Public Sector Internal Audit Standards is:

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

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter which is reviewed annually by the Audit and Risk Assurance Committee.

### Overall assurance

1.3 As the providers of internal audit to the Council, we are required to provide the \*Section 151 Officer with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Section 151 Officer is reasonable assurance that there are no major weaknesses in the Council's governance, risk management and control processes. In assessing the level of assurance to be given, we have taken into account:



- All audits undertaken for the year ended 31 March 2023.
- Any follow-up action taken in respect of audits from previous periods.
- Any significant or fundamental recommendations not accepted by management.
- Any limitations which may have been placed on the scope of internal audit.
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the council.
- The council's Strategic Risk Register is regularly presented to the Audit and Risk Assurance Committee

\* Section 151 of the Local Government Act requires the council to appoint a suitably qualified officer to be responsible for the proper administration of its financial affairs.

## 2 *Internal audit opinion*

2.1 We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:

2.2 Based on the work undertaken during the year by Internal Audit, alongside that undertaken by other external bodies, and as part of the continuing actions being taken by the Council in implementing the recommendations included in, and monitoring of, the Improvement Plan, we can provide **reasonable assurance** that the Council has adequate and effective governance, risk management and internal control processes.

However, it should be noted that the ongoing delays in the finalising and approving of the Council's Statement of Accounts from 2020/21 onwards, will need addressing in order to provide the Council with a more comprehensive and overall wider level of assurance going forward.

### *Improvement Plan*

In recent times the Council has received a number of critical external reviews alongside receiving Statutory Directions from the Secretary of State for Levelling Up, Housing and Communities, all of which passed comment on issues identified within the Council's governance arrangements. This included three statutory and a number of key recommendations being made by Grant Thornton in their Value for Money Governance Review. The recommendations made in these reports have been incorporated into an agreed Council wide Improvement Plan. During 2022/23 progress against these recommendations was being rigorously monitored across the Council, and subsequent follow up visits by both Grant Thornton and CIPFA indicated that improvements were being made.

### **In reaching our opinion, the following factors were also taken into particular consideration:**

- We have had unfettered access to all records and employees during 2022/23.
- The need for management to plan appropriate and timely action to implement our and other assurance providers' recommendations.
- Key areas of significance, identified as a result of our audit work performed in year are detailed later in this report.
- While stand-alone reviews of governance and risk management are not undertaken, consideration of both these issues are implicit in all internal audit work. Similarly,

assurance is gained from the regular review of the council's Strategic Risk Register as presented at meetings of the Audit and Risk Assurance Committee.

#### *Internal audit – limited assurance reports*

While not fundamental to the overall control environment, from our internal audit work we gave a 'limited' rating in the following areas and it remains important that the recommendations made in these areas are implemented and improvements made, in a timely manner:

- Disabled Facility Grant
- Taylors Lane Theft
- Boscobel Repairs/Voids
- Procurement and Contract Compliance

#### *Delays in the 2020/21, 2021/22 and 2022/23 Statement of Accounts and accompanying Annual Governance Statements*

There have been unfortunate delays in the completion and signing-off of the Council's Statement of Accounts for some time now. At the time this report was produced, the finalisation of the 2020/21 and 2021/22 Statement of Accounts had encountered similar delays. This will also have an impact on the 2022/23 Statement of Accounts. These delays in the finalisation of the Statement of Accounts, had resulted in similar delays in the production of the Council's Annual Governance Statements, which forms part of the Statement of Accounts. At the time this report was produced, the 2021/22 Annual Governance Statement was still being finalised and in effect remains 'live' until the Statement of Accounts are approved. This has also impacted upon the Council's ability to prepare its 2022/23 Annual Governance Statement, which in itself would usually help inform this annual report.

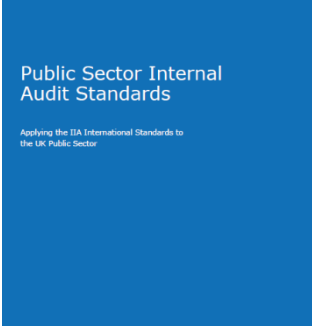
#### *Internal audit's role in fraud investigations*

During the year, a proportion of internal audit time was spent working with the Counter Fraud team on a range of fraud investigations. The outcomes of key investigations are reported where appropriate, separately to the Audit and Risk Assurance Committee through the regular Counter Fraud Update Reports.

#### *Key risks the council faces*

The key risks the council faces in delivering its outcomes are captured in a Strategic Risk Register which is updated as and when the risk profile of the Council changes and is reported to the Audit and Risk Assurance Committee on a regular basis.

### 3 Performance of the audit service



#### Compliance with the Public Sector Internal Audit Standards

The internal audit service follows the Public Sector Internal Audit Standards, and the Code of Ethics that form part of the standards, as laid out in the internal audit charter approved by the Audit and Risk Assurance Committee. The quality assurance and improvement programme self-assessment has identified no major non-conformances with these standards and therefore the internal audit activity has conformed with the international standards for the professional practice of internal auditing. An independent validation of the self-assessment process is being arranged for later this year.

#### Audit plans

Indicator	Actual
Audit Plan produced in advance of the year to which it relates (i.e. prior to 1 April 2023)	Yes. Approved by Audit and Risk Assurance Committee at its meeting in March 2023.

#### Recommendations

Indicator	Actual
90% of 2022/23 recommendations accepted by council management (where a response has been received)	100%

#### Relationships

Indicator	Actual
Feedback obtained from report recipients	No negative comments received
Satisfaction of Audit and Risk Assurance Committee members is good	No key issues have been flagged during the year

#### Reviews by other agencies

Indicator	Actual
Consideration of internal audit work by external audit	No issues raised
Outcome of external reviews by other agencies	No such reviews for 2022/23

#### Staffing

Indicator	Actual
% of Audit Services' employees professionally qualified (target 33%)	37 %

#### 4 *Summary of work completed*

Where appropriate, a detailed written report and action plan is prepared and issued for every internal audit review. The responsible officer will be asked to respond to the report by completing and returning the action plan. This response must show what actions have been taken or are planned in relation to each recommendation. If the recommendation is not accepted, this must also be stated. We are responsible for assessing whether the response is adequate.

#### *Audit reviews completed in 2022/23*

The following tables below list all the reports issued by internal audit during 2022/23, alongside their original Assessment of Assurance Need (AAN) risk score, the number and type of recommendations made, whether those recommendations have been accepted and an overall level of assurance for each review. Where appropriate each report we issue during the year is given an overall assurance opinion based on the following criteria:

Substantial	Reasonable	Limited	No Assurance
A robust framework of controls ensures objectives are likely to be achieved and controls are applied continuously or with only minor lapses.	A sufficient framework of key controls for objectives to be achieved but the control framework could be stronger, and controls are applied but with some lapses.	A risk of objectives not being achieved due to the absence of key internal controls and a significant breakdown in the application of controls.	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.

For school reviews, during the year we used a different opinion statement to match the assurance categories awarded by Ofsted.

Summary of internal audit work completed for the year 2022/23

AAN	Assessment of assurance need rating
*	Awaiting response
NA	Not applicable, review outside of normal risk-based auditing approach/customer request etc.

Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Governance, Housing	High	-	4	4	8	8	Reasonable
Budgetary Control	High	-	2	1	3	3	Reasonable
Disabled Facility Grant	Medium	-	4	5	9	9	Limited
Prevention and Promotion Fund for Better Mental Health Grant 2021/22	N/A	-	-	-	-	-	N/A
Universal Drug Treatment 2021/22 Grant	N/A	-	-	-	-	-	N/A
Local Authority Test and Trace Contain Outbreak Management Fund Grant	N/A	-	-	-	-	-	N/A
Adults Weight Management Grant	N/A	-	-	-	-	-	N/A
Schools Financial Value Standard	N/A	-	-	-	-	-	N/A
Council Complaints follow up	N/A	-	1	1	2	2	N/A
Riverside Rents	Medium	-	4	-	4	4	Reasonable
Cash Handling	Medium	-	3	1	4	4	Reasonable
Riverside Leaseholders Follow up	Medium	-	-	2	2	2	N/A
Accounts Receivable	High	-	1	-	1	1	Substantial
Accounts Payable	High	-	3	-	3	3	Reasonable
Treasury Management	High	-	-	1	1	1	Substantial

Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Taylor's Lane Theft	N/A	-	12	-	12	12	Limited
Main Accounting System	High	-	2	1	3	3	Reasonable
Events Governance	Medium	-	4	-	4	4	Reasonable
Housing Benefits	High	-	2	1	3	3	Reasonable
National Non-Domestic Rates	High	-	-	-	-	-	Substantial
Riverside, Planned Maintenance	Medium	-	2	1	3	3	Reasonable
Adults Weight Management Grant	N/A	-	-	-	-	-	N/A
Council, Housing Rents	High	-	1	-	1	1	Reasonable
Income Management Follow up	Medium	-	-	-	-	-	N/A
Council Tax	High	-	-	1	1	1	Substantial
Events Payment Process (Contingency)	N/A	-	4	-	4	4	Reasonable
Boscobel Repairs/Voids	Medium	1	5	1	7	7	Limited
Riverside Method Statements	N/A	-	-	-	-	-	N/A
<b>Schools</b>							
Hamstead Infant School	Medium	-	1	3	4	4	Good
Oakham Primary School	Medium	-	-	6	6	6	Good
Brickhouse Primary School	Medium	-	2	5	7	7	Satisfactory
Sandwell Community School	Medium	-	2	4	6	6	Good
Orchard School	Medium	-	1	3	4	4	Good
Hargate Primary School	Medium	-	4	8	12	12	Satisfactory
Albert Pritchard Infant School	Medium	-	2	4	6	Draft	Satisfactory
<b>Reported for the first time:</b>							

Auditable area	AAN rating	Recommendations					Level of assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Disposal of Land - Follow up	Medium	-	-	2	2	2	N/A
Payroll	High	-	3	-	3	3	Reasonable
Procurement and Contract Compliance	High	-	7	3	10	10	Limited

## 5 Key issues arising during the year

**The following audit reviews have already been reported back in detail to the Audit and Risk Assurance Committee at various stages during the year:**

### *Grant Funding 2021/22 (reported to the Committee in November 2022)*

We undertook three reviews to confirm that the information contained in each of the grant returns was in accordance with the Acts specified in the guidance notes for each alongside the relevant regulations, determinations, circular notes, instructions and other agreed arrangements. No issues were identified which prevented submission of any of the three claims and it was determined that in all significant respects, the conditions attached to the use of the grants had been complied with.

### *Schools Financial Value Standard 2021/22 (reported to the Committee in November 2022)*

The Schools Financial Value Standard (SFVS) is applicable to all maintained schools and is a mandatory self-assessment exercise that must be completed annually. The standard is a tool to help schools and local authorities meet basic standards for good financial health and resource management. We are responsible for administering the completion and submission of the self-assessments and for informing the Department for Education of the submission rate. For 2021/22, all maintained schools in Sandwell completed and submitted the self-assessment.

### *Council Complaints, follow up (reported to the Committee in November 2022)*

In our previous review of the Council's complaints process, we made a recommendation that Investigating Officers retain documentary evidence of when the initial contact took place, and that a full written response needed to be issued to the customer which addressed all concerns. It was noted that work had been undertaken to implement the recommendation. However, it was found that due to the limitations of the system, some complaints could be updated by other teams without the Customer Feedback Team's knowledge, and as such not every complaint may be appropriately monitored. Therefore, a further recommendation has been made with respect to this.

It was also noted that since the initial review took place a new comprehensive customer feedback guide was introduced in January 2021. However, the document available on the Council's website was still the previous version. This has now been updated.

### *Riverside, Rents (reported to the Committee in November 2022)*

Riverside manage a proportion of the councils housing stock under a PFI agreement. The housing rents section at Riverside is responsible for collecting rent, the recovery of rent arrears and former tenants' arrears. A review was undertaken which included following up the previous year's recommendations to ensure they had been implemented, and we identified the following areas where improvements could be made, two of which remained outstanding from the previous year:

- It was noted that at least three cases had increased due to a Malware incident on the Riverside system, which for a period of 10 weeks prevented arrears being adequately monitored. It was requested that a risk assessment and ICT business continuity arrangements needed to be updated to ensure there are alternative ways for the arrears/payments to be monitored and chased during any future major disruption.
- The property extract reconciliation (rent variation spreadsheet) which provides evidence of the housing stock had been updated to address the six properties from the previous audit report. However, a property sold in October 2021 had not been included within the current reconciliations and therefore the recommendation was reapplied to ensure that properties



sold under the right to buy scheme have been removed prior to submitting the data to the Council.

- Arrears have continued to increase for a fourth year running. It was noted that Riverside have worked with the Councils Welfare Rights team over the last few years to obtain back payments for tenants to help in some cases with the ongoing delays in universal payments. We are also aware that this was compounded when evictions were suspended by the Government until 31 May 2021. However, due to the contract held it was considered that Riverside needed to explore what options are available to them to obtaining extra resource in this area to ensure the trend can be mitigated as much as possible.

#### *Governance, Housing (reported to the Committee in November 2022)*

An audit of the Governance Arrangements within the Housing Directorate was undertaken at the request of the Director for Housing. The objective of the audit was to provide assurance that governance activities within Housing were operating effectively and providing a strategic focus and direction on the services delivered.

Recommendations were made highlighting that not all of the regular formal group meetings had a Terms of Reference clearly defining their purpose and objectives, there was an absence of quorum numbers within Housing meetings, declaration of interests were not included as a standard agenda item and although risk management processes were taking place, improvements were needed to fully embed the process.

It was noted that work was ongoing under the new director in order to make improvements to the governance structure within Housing, including a framework to engage with tenants now taking place with the new Tenant and Leaseholder Strategy Group, and the creation of a new Tenant Liaison Officer post to help focus and drive improvements forward. Furthermore, Housing has adopted the Council's Corporate Plan strategic outcomes to give the directorate a clear and consistent picture of its guiding principles.

#### *Disabled Facility Grant (reported to the Committee in November 2022)*

The Disabled Facilities Grant (DFG) is part of the Better Care Fund; a pooled budget seeking to integrate health, social care and, through the DFG, housing services. The purpose of the fund is to provide adaptations to help increase or maintain the functional independence of people with permanent or substantial disabilities. The planning of the adaptations should take account of the person's current needs and also give consideration to the likely needs of the client in the medium to long term. Our review highlighted four areas where improvements could be made, arising from the following:

- A potential data breach with grant documentation being emailed from what appeared to be a personal email account to a council email account. This was reported to the Information Governance Team for further review.
- The DFG policies and procedures used by officers to administer the grant and therefore provide staff with assistance, needed to be reviewed and updated. In reference to the above potential data breach, it was also recommended that the procedures include guidance on managing data security and ensuring compliance with UK Data Protection Regulations whilst processing service user's personal information.
- There was a lack of clear and readily available financial reports and monitoring information regarding the overall spend and position of the DFG. It was acknowledged that the monitoring of the grant was impacted by the move of the service area from Adults to Housing, thereby highlighting the service within Finance to be monitored

between three areas of Capital, Adults and Housing. With insufficient financial monitoring information being received by the service area it was recommended that a more joined up approach be established, allowing a full overview of the spend.

- At the time of our review there was a backlog of completed DFG funded improvement works yet to be invoiced or issued completion certificates by the Contractor. This was not only causing a delay for the payment of the works undertaken but was also creating an expanding budget liability due to invoices not being submitted for payment. It was recommended that the contractor be required to provide a remediation plan regarding the situation regarding the invoicing for completed works.

#### *Cash Handling (reported to the Committee in November 2022)*

In recent years the Council has significantly reduced the amount of cash that it handles. The bulk of the Council's cash is generated from cash payments made from the services the Council provides. The largest areas where cash is collected is Oldbury Cashiers and Highways car parking contract with APCOA. However, a number of other areas retain a cash payment facility for services such as Markets, Registrars and Meals on Wheels. The Council also operates a petty cash facility for reimbursement of minor expenditure and Cashiers provide a cheque encashment facility at Sandwell Council House for this service.

During our review we noted that there were no up to date cash and banking procedures for officers to operate or refer to, and as such variations to how cash is dealt with across the Council may have developed over time. It was acknowledged that the development of new procedures was in progress and since our review was finalised, the new procedures have been presented to the Leadership Team for the agreed roll out.

We also recommended that a wider review of the petty cash balances held across the borough be undertaken in order to establish that (i) they were still required and (ii) where they were, appropriate sums were held.

#### *Budgetary Control (reported to the Committee in November 2022)*

The General Fund Revenue Budget for the Council is held on the General Ledger module of the Oracle Financial system. Central control of the budget is managed by the Council's Strategic Finance team.

CIPFA had been recently commissioned to undertake a review of the financial management and governance arrangements by the Council using the Financial Management Model. The outcome of their review is being used to drive the development of the Council's financial management operation and arrangements. It assessed the Council's financial management capability, its internal processes, and operations. It also examined how the Council plans its future financial management. The report contained a series of recommendations, from which an action plan has been developed. Following which, amongst others, benchmarking data on unit costs and fees and charges has been used in the 2022/23 budget process, and the leadership team now receive monthly budget monitoring information.

Therefore, to avoid duplication, our review focussed upon our previous recommendations in this area, and which continue to form part of the ongoing improvement processes put in place, including seeking to significantly reduce the number of journals that are used and working towards the finalisation of the 2020/21, and then the 2021/22 Statement of Accounts.

#### *Events Governance (reported to the Committee in March 2023)*

We undertook an audit of the Events Governance Framework in order to provide assurance that governance activities within the Events Team were operating effectively and provided a direction on the services delivered. This included looking at a number of issues raised by Grant Thornton in their recent Value for Money Governance review. Following the review, a new events governance framework with a range of improvements were being put in place, including a specification for an online events portal for community event applications, and a criteria for borough and community level events developed to outline requirements for the Council and event organisers to ensure decisions are considered, and made at the earliest opportunity, and at the right level.

It was noted that work was ongoing in order to continue to make improvements to the governance structure within events and this review created an opportunity to consider whether further improvements were needed. From our review we noted:

- The Event Planning Spreadsheet is a detailed plan that walks through each step of an event in order to enable timelines to be kept on track, and the event delivered in a successful manner. We noted that this was not always fully updated, with key fields on the spreadsheet not being completed.
- Invoices for one event had not been raised in a timely manner and an application for another event had not been fully completed with the appropriate narrative.

#### *Accounts Payable (reported to the Committee in March 2023)*

An annual review of this key financial system was undertaken in order to confirm that appropriate controls were in operation over the council's payment systems and that payments were made in an accurate and timely manner. We noted one new area where action was required, and actions relating to two previous recommendations still required further action:

- We noted that five officers held access to the accounts payable module when their current role indicated that this was not required. This was flagged and their access was amended.
- While a spreadsheet was now being maintained in order to highlight actions taken for duplicate payments, any potential overpayments made through Autopay could still potentially remain undetected or unresolved. However, as part of the development of the new system, the generation of a potential duplicate payments report will be included.
- There was no mechanism in place to log the number and reasons for returned remittances where payments had been made against incorrect addresses. A spreadsheet was originally set up, but the links had ceased to work and officers no longer updated it.

#### *Treasury Management (reported to the Committee in March 2023)*

Treasury Management is a key financial system and a vehicle to actively manage and monitor banking transactions to ensure cash is available to pay for debts as they fall due, while minimising borrowing costs. Due to this it is important for the Council to ensure sufficient funds are available to deliver the day to day operations, ensuring an acceptable balance is achieved between security, liquidity and return for any investments held.

The Council has a Treasury Management Strategy, and this is approved by the Council each year and the policy used to manage the daily cash flow through short-term borrowings and investments alongside a long-term strategy for the management of the Council's debt portfolio. No issues of significance were identified, and substantial assurance was given.

#### *Main Accounting System (reported to the Committee in March 2023)*

The Financial Management System or Main Accounting System is the fundamental accounting system used by the Council and resides on the General Ledger module of the Oracle Financial system. It records and consolidates all the financial transactions carried out by the Council. As part of the review we assessed procedures and controls within the main accounting system and also followed up the previous year's recommendations. We noted that two of our recommendations required further action, relating to the timely completion of reconciliations, and the contracts register on the intranet holding expired contracts.

#### *Housing Benefits (reported to the Committee in March 2023)*

Housing Benefits are a means tested benefit intended to help meet housing costs for rented accommodation. The Council reclaims most of the Housing Benefit they pay out from the Department for Works and Pensions, by submitting subsidy claims which are certified by the appointed external auditor.

As part of our review, we followed up our previous recommendations. We noted that while some work had taken place, both had areas that remained outstanding:

- No clear audit trail of calculations undertaken for the over £1,500 checks being retained.
- Manual adjustments, not always reviewed and signed as correct by the Lead Officer

#### *National Non-Domestic Rates (reported to the Committee in March 2023)*

NNDR is the charge given on most non-domestic properties such as shops, offices, pubs, warehouses and factories etc. The rate is calculated by the properties rateable value, which is an open market rental value calculated by the Valuation Office Agency. A number of non-domestic properties are exempt or entitled to claim business rate relief and it is the councils' responsibility to ensure each non-domestic property is charged the appropriate rate and that all money is collected. The overall objective was to provide assurance that the systems of control in respect of NNDR are adequate and are being consistently applied. Substantial assurance was given.

#### *Taylor's Lane theft (reported to the Committee in March 2023)*

In November 2022 a wood-chipper was stolen from the Council's Taylor's Lane depot. Following which a working group (including internal audit presence) was established in order to review the security arrangements at the depot and other Council sites, alongside consideration of wider security standards. It has been recognised that a number of controls and security processes were not fully operational at the time of the incident. Both ourselves through our report, and the working group made a number of recommendations in order to further safeguard council assets across the Council's estate, and these have been, or are being put in place.

#### *Riverside Leaseholders, Follow up (reported to the Committee in March 2023)*

Riverside manage a proportion of the Council's housing stock under a PFI agreement. As part of the agreement Riverside are responsible for the management of leasehold properties who undertake the management and maintenance on certain estates. In November 2021, we issued a report with four significant recommendations where improvements could be made, including:

- Clearly demonstrating that an advisory service was being provided.
- Consulting with leaseholders where planned work may impact on their property.
- Reviewing the charges to leaseholders to ensure they were a fair representation of the cost of the work.
- That the unitary charge be adjusted to omit the need to provide a cash desk facility if this was no longer provided.

Our latest review followed up our previous recommendations in order to ensure that sufficient action had been undertaken within the agreed timescales. Three of the recommendations had been implemented, but there was still scope for clearer consulting with leaseholders regarding planned work.

#### *Riverside, Planned Maintenance (reported to the Committee in March 2023)*

An annual programme for planned maintenance works is agreed between the Council and Riverside before the start of each new financial year to ensure the properties facilities etc meet the defined requirements in the agreed terms and conditions of the contract. The planned maintenance as well as the day to day repairs are undertaken by a contractor who were awarded the appropriate contracts following a competitive tendering exercise.

The nature of the works varies on an annual basis, but within the planned programme for 2022/23, the review included the replacement of kitchen units, replacement of electrical systems including new consumer units, replacement of gas central heating boilers and ancillary controls, roofing works and the replacement of existing extractor fans.

The completed work, where possible, is jointly inspected by the consultant surveyor, Riverside and the contractor. If the work has been carried out to a satisfactory standard a completion certificate is issued to Riverside. We identified two issues where improvements could be made, arising from the following:

- Three instances were found where work needed rectification on the properties visited from the original planned work, and one where a re-wire had not been undertaken at the tenant's request.
- Seven instances were found where extractor fans had not been installed either because the tenant was not available, or the work had been missed. The installation of extractor fans are important in removing moist air and in preventing the build-up of damp and mould.

Riverside have agreed to attend each of the properties identified in order to complete the works and ensure that any outstanding issues identified are cleared.

#### *Housing Rents, Council (reported to the Committee in March 2023)*

Following previous audit reviews, improvements continue to be made within the Rent Accounting team. Our latest review noted that only one recommendation remained outstanding. This related to social rents that are set using a government formula which calculates a 'formula rent' for each property. From the sample of ten properties we reviewed, two properties although uplifted correctly, differed from the social formula rent that could be charged for both properties.

With the Council having a housing stock of over 27,000 properties, it is important that a rolling programme of review takes place in order to establish how many other properties may not be being charged the correct rent so that they can be remedied.

#### *Boscobel TMO repairs/voids (reported to the Committee in March 2023)*

A Tenant Management Organisation (TMO) is a means by which council tenants and leaseholders can collectively take on responsibility for managing the homes they live in. TMO's are an independent legal body and usually elect a tenant led management committee to run the organisation. Boscobel TMO has 115 properties for which it is responsible.

A review was undertaken to assess the adequacy of the system for the control and inspection of work and the maintenance and flow of progress information. We identified a number of issues



where improvements could be made. We also noted that an issue raised in a previous report remained outstanding: Our observations included:

- GDPR requirements were not included within the contract (Management Agreement) and there was a risk of infringement of statutory regulations, not only for the TMO but also for the Council. A lack of detailed procedures, and issues in providing repair and void work to contractors outside of the Council, especially as there had been no updates to the management agreement since the TMO became fully operational in 2010. As such many of our recommendations were due to a lack of awareness of current procurement rules and legislation. With both officers and Board members at the TMO having a general lack of awareness with regards to contracts.
- Quotes were not being requested for work undertaken, although as highlighted above a contract would need to be put in place, or a business case provided to justify the approach to procuring repair/void services in the future, and within it provide evidence of how it will not contravene the appropriate Regulations.
- Work undertaken by the Council and/or external contractor was not being signed off when the work was completed.
- When the need for additional work was identified during the undertaking of a repair/void, prior approval to continue should be sought in the guise of completing and signing a variation form. We understand that authorisation would normally be given verbally, but no audit trail of such approval, or reason for the variation was being retained either on file or on the system.
- Following completion of a repair, a post inspection form should be completed and signed by the contractor and Boscobel TMO to evidence that both are satisfied with the work completed. There were no records of a post inspection form being completed.
- If the cost of void repair works is over £2,500, the TMO will invoice the Council for the difference. In the sample of five such repairs that we reviewed, three were above this threshold. By using a third-party contractor, Sandwell's void process is not followed and as such a visit by the Council's Surveyor/Voids Inspector is not triggered to visit the properties. It is therefore unclear whether the work undertaken offered value for money for either the TMO or Council.

The TMO had not undertaken any checks on the electrical contractor's credentials, or their ability to undertake electrical work.

### **The following audit reviews are being reported to the Audit and Risk Assurance Committee for the first time:**

#### *Disposal of Land - Follow up*

The objective of our review was to evaluate the adequacy of management action in implementing previous key audit recommendations made. We noted that the Disposal of Council Owned Land and Buildings Protocol had been updated and incorporated into the Council's Constitution, as an appendix to the updated Financial Regulations and Procedures. Also, that Anti-Money Laundering Forms were now being fully completed. However, we did note that further consideration still needed to be given as to how to deal with historic personal data held on file, in order to ensure compliance with GDPR requirements.

#### *Payroll*

Payroll are responsible for processing salaries, calculating deductions, processing overtime payments along with many other functions ensuring that the service complies with all relevant

statutory rules and regulations. Salaries form a significant part of the Council's expenditure and it is therefore important to have robust and effective controls in place. During our review we noted that there was scope for improving a uniform process across the Council for the claiming of overtime, leading to an inconsistent approach across service and directorate areas. Such inconsistencies had led to a small number of errors on a sample of the overtime claim forms we reviewed.

### *Procurement and Contract compliance*

Strong procurement processes are key to the Council as it contributes to the efficient use of resources to support operational needs and delivery of its objectives. Effective procurement, in line with following legislation and utilising the Council's policies and procedures is necessary to be able to demonstrate that funds are used and managed in a manner that is accountable and demonstrates both probity and value for money.

As part of this audit a sample of contracts that were entered into following our previous review were examined in order to provide a position update on how well recommendations were being implemented, as the agreed implementation dates approached. While we could see that procurement was incrementally improving. We noted a number of issues still arising where further improvements could still be made:

- While Exemption reports were being completed and signed at director level, they were not always being formally endorsed at Head of Procurement level in line with the Contract Procedure rules. While they were being signed by a Procurement Business Partner, and we understand there was an earlier arrangement for allowing Procurement Business Partners to approve reports below £100,000, this had not been clearly documented, or reflected in the procedure rules.
- Where Framework Agreements are sourced by external organisations/other Councils, consideration should be given to considering presenting an exemption report to the appropriate Chief Officer, as the Council's Procurement and Contract Procedure rules will not be used in the procurement process.
- Contract Procedure rules 15.6, states 'that a record of all exemptions approved by the Chief Financial Officer shall be provided to the Cabinet Member for Core Council Services on a quarterly basis', however this did not appear to be explicitly taking place.
- The Procurement Team rely up on service areas engaging with the team in the early stages of procurement exercises, to allow for effective forward planning, and to ensure compliance with Contract Procedure Rules. Unfortunately, service areas were not always keeping the Procurement Team fully informed of new contract activity.
- Before each procurement exercise commences, a 'Starting a Procurement' form should be completed and approved by both the relevant Budget Manager and the Procurement Business Partner. Although improvements had been made, we noted two instances where 'Starting a Procurement' forms had not been completed before the procurement exercise commenced.
- While a range of training had been made available and provided, there appeared to remain a general lack of awareness within the Council with regards to the complexities, regulations and legal requirements involved in procurement activity. As such it was recommended that the training programme should continue together with other steps put in place to drive the importance of strong procurement and compliance with its requirements forward.

### *School Audits*

Following the Covid-19 related lockdown we have now re-commenced our annual school audit programme, and seven such reviews have been undertaken in order to assess whether they had adequate governance, risk management and control processes in place to ensure that financial management and governance arrangements were robust. All seven schools reviewed were assessed as either good or satisfactory.

## **Audit Services also play a role in the following areas**

### *Annual Governance Statement*

We assist in the preparation of the Annual Governance Statement which accompanies the council's Statement of Accounts and is produced to comply with the requirements of the Accounts and Audit Regulations.

### *CIPFA – Audit Committee Updates*

We continue to present the regular CIPFA Audit Committee Updates to the Audit and Risk Assurance Committee.

### *Internal Audit Charter*

We undertake and present to the Audit and Risk Assurance Committee an annual review of the Internal Audit Charter. The latest version was presented and approved at the November 2022 meeting of the Committee.

### *Audit and Risk Assurance Committee – Terms of Reference*

We complete a regular review of the Audit and Risk Assurance Committee Terms of Reference. The last version was presented and approved at the March 2023 meeting of the Committee and the latest version will be reviewed prior to the 2023/24 year-end.

### *Internal Audit Plan 2023/24*

We submitted the Internal Audit annual plan for 2023/24 to the Committee for approval at the March 2023 meeting.

### *Audit and Risk Assurance Committee Annual Report*

Assistance was provided in the preparation of the Annual Report of the Chair, on the work of the Committee.

### *West Midlands Audit Contract Group*

We attend a bi-annual group meeting with other West Midlands councils, with the purpose of discussing new issues within procurement and contract monitoring and the sharing of best practice.

### *Counter Fraud*

The council's Counter Fraud Unit sits within internal audit and is responsible for, amongst others, investigating assigned cases of potential fraud, running a series of raising fraud awareness activities and talking in part in all national anti-fraud initiatives and benchmarking activities. Full reports on the work of the Counter Fraud Unit and the relevant investigatory work undertaken by Internal Audit are presented separately to the Audit and Risk Assurance Committee.

### *Wider client base*



Through a shared service arrangement, the Head of Internal Audit and where appropriate members of the audit team have a role in the delivery of internal audit services to:

- Sandwell Leisure Trust
- Sandwell Children's Trust
- West Midlands Fire Service
- City of Wolverhampton Council
- West Midlands Pensions Fund
- West Midlands Combined Authority
- Wolverhampton Homes

Each of these have their own Audit Committee, or equivalent, to which our work is reported.

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## Audit and Risk Assurance Committee Work Programme 2023/2024

Date of Meeting	Item	Responsible Officer
<b>5 June 2023</b> <b>(Reports due 23 May)</b>	Council Improvement Plan	Kate Ashley
	Improvement Plan Risk Register	Kate Ashley
<b>20 July 2023</b> <b>(Reports due 7 July)</b>	Counter Fraud Annual Report	Oliver Knight
	Directorate Risk Register – Borough economy	Alice Davey
	Strategic risk review – Customer Journey	Tony McGovern/Narinder Phagura
	Annual Internal Audit Report 2022/23	Peter Farrow
	Code of Corporate Governance	Elaine Newsome/Surjit Tour

Date of Meeting	Item	Responsible Officer
<b>21 September 2023</b> <b>(Reports due 11 September)</b>	Council Improvement Plan Update	Kate Ashley/ Rebecca Jenkins
	Improvement Plan Risk Register	Kate Ashley/Rebecca Jenkins
	Local Government and Social Care Ombudsman's Annual Report (TBC)	TBC
	Audit and Risk Assurance Committee Annual Report	Chair/Peter Farrow
	Strategic Risk Register Update	Narinder Phagura
	Code of Corporate Governance	Elaine Newsome/Surjit Tour
	Directorate Risk Registers (x1) – Public Health	Narinder Phagura in consultation Liann Brookes-Smith.
<b>23 November 2023</b> <b>(Reports due to 9 November)</b>	Internal Audit Update	Peter Farrow
	Council Improvement Plan Update	Kate Ashley/Rebecca Jenkins
	Improvement Plan Risk Register	Kate Ashley/Rebecca Jenkins
	Directorate Risk Registers (x1) - Finance	TBC
	Internal Audit Charter	Peter Farrow

Date of Meeting	Item	Responsible Officer
<b>18 January 2024</b> <b>(Reports due 5 January 2024)</b>	Directorate Risk Registers (x2)	Narinder Phagura in consultation with Directors
<b>22 February 2024</b> <b>(Reports due 9 February)</b>	Strategic Risk Register Update	Narinder Phagura
	Council Improvement Plan Update	Kate Ashley/Rebecca Jenkins
	Directorate Risk Registers	Narinder and relevant Director(s)
	Internal Audit Update	Peter Farrow
	Internal Audit Plan 2024/25	Peter Farrow
	Audit and Risk Assurance Committee Terms of Reference Review	Peter Farrow

<b>Items – date to be determined:</b>
Annual Governance Statement 2021/22 and 2022/23
Statement of Accounts 2021/22 and 2022/23
Various reports from the External Auditors as the Statement of Accounts are progressed.