

Public Document Pack



23 February 2022

To: Councillors Burdess, Critchley, Galley, Hunter, M Mitchell, Roberts and R Scott

Ms Gill Brown and Dr Stuart Green, Independent Co-opted Members

The above Members are requested to attend the:

AUDIT COMMITTEE

Thursday 3 March 2022 at 6.00pm
in the Council Chamber, Town Hall, Blackpool

A G E N D A

1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned either a

- (a) personal interest
- (b) prejudicial interest
- (c) disclosable pecuniary interest (DPI)

and

(2) the nature of the interest concerned

If any Member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

2 MINUTES OF THE LAST MEETING HELD ON 20 JANUARY 2022

(Pages 1 - 10)

To agree the minutes of the last meeting of the Audit Committee held on 20 January 2022 as a true and correct record.

3 AUDIT FOLLOW UP - BLACKPOOL MUSEUM PROJECT

(Pages 11 - 20)

To consider the actions being implemented to address the audit recommendations relating to the Blackpool Museum Project.

4 AUDIT FOLLOW UP - ADVERTISING (Pages 21 - 36)

To consider the actions being implemented to address the audit recommendations relating to Advertising.

5 STRATEGIC RISK REGISTER 2022/2023 (Pages 37 - 54)

The Audit Committee is asked to note the Strategic Risk Register for 2022/2023 and to approve the proposed programme of deep dive reviews which will be presented at future meetings.

6 FRAUD AND ERROR PREVENTION CHARTER 2022/2023 (Pages 55 - 108)

To obtain approval from the Audit Committee for the Fraud and Error Prevention Charter 2022/2023.

7 INTERNAL AUDIT PLAN 2022/2023 (Pages 109 - 124)

To obtain approval from the Audit Committee for the Internal Audit Plan 2022/2023.

8 INTERNAL AUDIT CHARTER 2022/2023 (Pages 125 - 138)

To present the updated Internal Audit Charter for approval by the Audit Committee.

9 ISA 260 AND FINAL ACCOUNTS AUDIT UPDATE

To receive a verbal update from Deloitte and Mr Steve Thompson, Director of Resources on the ISA 260 and final accounts audit.

10 AUDIT COMMITTEE ACTION TRACKER (Pages 139 - 142)

To consider the Committee's updated Action Tracker.

11 DATE OF NEXT MEETING

To note the date and time of the next meeting of the Committee as 28 April 2022, commencing at 6pm.

Venue information:

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building. Face masks must be worn when moving throughout the building. Please also maintain social distancing.

Other information:

For queries regarding this agenda please contact Elaine Ireland, Senior Democratic Governance Adviser, Tel: 01253 477255, e-mail elaine.ireland@blackpool.gov.uk

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Agenda Item 2

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 20 JANUARY 2022

Present:

Councillor Galley (in the Chair)

Councillors

Burdess	Hunter	Roberts
Critchley	M Mitchell	R Scott

The following Committee Members whilst not present in the room and not able to vote joined and participated in the meeting virtually:

Ms Brown, Independent Co-opted Member

The following were in attendance virtually:

Mr Neil Jack, Chief Executive

Mr Alan Cavil, Director of Communications and Regeneration

Mr Mark Towers, Director of Governance

Ms Vicky Gent, Director of Children's Services (Items 1 to 6 only)

Dr Arif Rajpura, Director of Public Health (Items 1 to 3 only)

Mr Steve Thompson, Director of Resources

Ms Kate Aldridge, Head of Corporate Delivery, Performance and Commissioning (Items 1 to 6 only)

Ms Clare Nolan-Barnes, Head of Coastal and Environmental Partnership Investments (Items 1 to 5 only)

Mr Will Britain, Head of Highways and Traffic Services (Items 1 to 5 only)

Mr Neil Williams, Emergency Planning Manager (Items 1 to 5 only)

Ms P Wigglesworth, Head of HeadStart (Items 1 to 6 only)

Mrs T Greenhalgh, Head of Audit and Risk

Ms Chloe Pieri, Community Engagement and Partnership Manager (Items 1 to 4 only)

Ms Nicola Wright, Audit and Assurance Partner, Deloitte

Councillor Mrs Callow JP, Chair of the Scrutiny Leadership Board (present in the room)

Mrs Jenni Cook, Senior Democratic Governance Adviser (present in the room)

Note: The Chair, with the agreement of the Committee, would re-order the agenda as follows:

- Item 6: Annual Governance Statement 2020/2021 Half Year Review – this would be moved up the agenda and taken as Item 3.
- Item 8: Audit Committee Action Tracker – this would be moved up the agenda and taken as Item 4.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 20 JANUARY 2022

1 DECLARATIONS OF INTEREST

Councillor Galley declared a personal interest in relation to agenda item 3 – Risk Services Quarter Three Report due to his position as a Council appointed Non-Executive Director on the Blackpool Transport Services Limited Board.

Councillor Burdess declared a personal interest in relation to agenda item 3 – Risk Services Quarter Three Report due to her position as a Council appointed Non-Executive Director on the Blackpool Transport Services Limited Board.

Councillor Critchley declared a personal interest in relation to agenda item 3 – Risk Services Quarter Three Report due to her position as a Council appointed Non-Executive Director on the Blackpool Operating Company Limited Board.

Councillor Roberts declared a personal interest in relation to agenda item 3 – Risk Services Quarter Three Report due to his position as a Council appointed Non-Executive Director on the Blackpool Airport Operations Limited Board.

2 MINUTES OF THE LAST MEETING HELD ON 11 NOVEMBER 2021

The Committee agreed that the minutes of the meeting held on 11 November 2021 be signed by the Chairman as a true and correct record.

3 ANNUAL GOVERNANCE STATEMENT 2020/2021 HALF-YEAR REVIEW

Mr Mark Towers, Director of Governance and Partnerships, presented a report which provided the Audit Committee with a half-yearly review of progress made on the actions identified in the Annual Governance Statement 2020/2021. An Action Plan had been appended to the report which provided a summary of the actions implemented, along with issues to be considered within the next 12 months.

In response to a question from the Committee on refresher training for elected members and the loss of face-to-face opportunities during the pandemic, Mr Towers stated that going forward a balance of training would be carried out and confirmed that the draft new Code of Conduct would be submitted for approval in February 2022. After approval, refresher training would be carried out.

The Committee questioned whether officers were facing any challenges in delivering the Community Engagement Strategy, particularly in light of the pandemic. Dr Arif Rajpura, Director of Public Health, confirmed that although the pandemic had delayed the Strategy, work had carried on and consultation had taken place with council departments, external stakeholders and the voluntary and community sectors. The Strategy had been adapted to incorporate changes suggested as a result of the pandemic and was set to be approved in March 2022.

Mr Neil Jack, Chief Executive, updated the Committee on the assessment of hybrid working and returning to the office and confirmed that a Working Group had been set up to plan the

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 20 JANUARY 2022

next steps. In respect of the desk ratio being reduced from seven in 10 to five in 10, this would mean that the majority of desks would be used, and would allow the Council to rationalise the property operational portfolio and present opportunities for further savings on property running costs and sites for disposal or development.

In response to a question with regards to the Council's wholly-owned companies and the independent audit findings, Mr Towers informed the Committee that the Council's Shareholder Committee was meeting the following day when the review of governance arrangements would be discussed. With regards to the limited assurance given by the audit findings, work was ongoing to rectify the issues raised and that risk elements were evidenced and considered by the Shareholder Committee on a regular basis.

Mr Towers confirmed that the input and co-operation received from service areas and the Senior Leadership Team had been productive with no areas seeming reluctant to participate.

The Chair noted that going forward, achievements should be included in the Annual Governance Statement to showcase its value and to record positive delivery through change.

The Committee noted its thanks to Dr Rajpura and his team for their work during the pandemic and to implement the Community Engagement Strategy.

[Dr Rajpura left the meeting on conclusion of this item].

4 AUDIT COMMITTEE ACTION TRACKER

The Committee considered the Audit Committee Action Tracker and in particular action 5 which was marked as red, being "To receive a progress report on the local Voluntary Community Faith Sector (VCFS) accord." Ms Chloe Pieri, Community Engagement and Partnership Manager, confirmed that work was being undertaken by Lancashire County Council across a Lancashire-wide footprint in terms of the NHS and social prescribing. Their Community Engagement Strategy had been developed alongside the Council's own Strategy and it was likely that reporting on the local Voluntary Community Faith Sector (VCFS) accord would be picked up through the Community Engagement work.

[Ms Pieri left the meeting on conclusion of this item].

5 AUDIT FOLLOW UP - FLOOD MANAGEMENT

The Committee considered a progress report on the recommendations made in the internal audit report on Flood Management issued on 7 August 2020 which was outlined by Ms Clare Nolan-Barnes, Head of Coastal and Environmental Partnership Investments, Mr Neil Williams, Emergency Planning Manager and Mr Will Britain, Head of Highways and Traffic Management Services.

Officers updated the Committee on progress with regards to the recommendations made in

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the internal audit report and highlighted that the new Strategy had been completed and would be published in November 2021, along with the Business Plan. Work was ongoing on several of the recommendations and a more accessible aide-memoire had been produced in the form of action cards to provide clear definition of roles and actions.

The Committee was informed that the emergency planning team had facilitated a table-top exercise for duty officers and that further events were planned, along with a multi-agency exercise. In respect of recovery, Mr Williams confirmed that a recovery framework, under the Lancashire Resilience Forum (LRF) was in place. In closing to the officers' overview, the Committee was provided with a summary of flooding, highways and climate change issues in Blackpool.

In response to questions from the Committee, officers confirmed that the work of the Flood Hub was important to ensure that the correct information was being communicated and that there were no issues with United Utilities and the Environment Agency sharing data to enable multi-agency working. In response to recommendations 13 and 14 in the internal audit report, it was confirmed that a planned preventative maintenance programme was in place to ensure that the 27,000 gullies in Blackpool were kept clear. Resources were shared with Lancashire County Council along with regular communication with Blackpool Waste Services.

A network map of roles and responsibilities during a flooding event was being compiled which would give a clear action of plan of roles during a flooding event. The map would give clear and concise information about who should be contacted during an event. The Committee requested that the network map be presented to a future Tourism, Economy and Communities Scrutiny Committee.

The Chair thanked the officers for their work on this vast and important programme of work.

The Committee Agreed:

1. To request that the network map be presented to a future Tourism, Economy and Communities Scrutiny Committee.

[Ms Nolan-Barnes, Mr Williams and Mr Britain left the meeting on conclusion of this item].

6 STRATEGIC RISK REGISTER - CHANGE MANAGEMENT

The Committee considered a progress report on the individual risks identified in the Council's Strategic Risk Register and considered the controls being implemented to manage the strategic risk relating to change management. Officers attended the Committee to provide updates in respect of their strategic areas.

Ms Pauline Wigglesworth, Head of HeadStart, provided an update on risk 3(a) with regards to preventative/early intervention services and informed the Committee that proactive work was being undertaken to evidence success using robust research, with projects funded sustainably.

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In response to questions from Councillors, Ms Wigglesworth clarified that the commitment to long-term funding was dependent on the type of project and that some projects were based on recurrent funding with others sustained on a continual basis. She provided an overview of the funding streams available. In respect of evidence of implementing and embedding learning from the HeadStart project, a robust process of research and evaluation had been carried out. This process provided qualitative and quantitative data to feed into the Annual Report and was underpinned by extensive research. Ms Wigglesworth informed the Committee that the Council had contributed to the Case Study Submission: Addressing the National Syndemic's call for evidence from the Resilience Revolution partnership, Blackpool and this document, along with the 2019/2020 Annual Report would be circulated to members.

Ms Victoria Gent, Director of Children's Services, provided the Committee with an overview of the risks in respect of Children's Services and in particular the sustainability of the Troubled Families programme. Funding had been secured for a further three years to develop the programme at the Family Hubs. The NSPCC Better Start initiative continued to be scaled up and integrated into early help and support services. Delivery continued on the Opportunity Area programme to raise attainment and aspirations of young people in Blackpool and Ms Gent noted that the Opportunity Area Partnership Board and its partners had hosted a successful Department for Education Board visit which had included the Secretary of State.

In response to questions from the Committee Ms Gent noted that any barriers to ensuring the sustainability of key services were largely around partners, such as the Police, health services and the voluntary sector, clearly understood what the Troubled Families Programme was and their roles within it. Clarification was also given regarding the implementation of the Better Start initiative and links to the First 1,000 days project, with Special Educational Needs (SEN) encapsulated within Early Help.

In respect of elective home education, Ms Gent provided the Committee with an overview of the Council's services for parents choosing to school their children at home. Data to outline the numbers of children schooled at home would be submitted to the next meeting.

In response to a question from Ms Gill Brown, Independent Co-opted Member, it was noted that the target dates for completion of the recommended actions of March 2022 were more likely to be extended and some projects would need a longer completion date of up to two years.

Mr Mark Towers, Director of Governance and Partnerships, provided the Committee with an update on the sub-risk identified in respect of the unpredictability of legal rulings requiring an unexpected change/change to the risk environment. The Council's in-house resources had been strengthened following a restructure and work was ongoing to ensure that more knowledge was retained and expertise was built within the Council's teams.

In respect of the sub-risk identified as the increasing number of looked after children and child protection cases resulting in a need to change the Council's approach. Ms Kate

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Aldridge, Head of Corporate Delivery, Performance and Commissioning, provided the Committee with an overview of work being carried out. Work was being undertaken with other local authorities to develop greater commissioning partnerships across the residential and fostering markets.

The Early Help programme was a crucial element in the reduction of the numbers of Looked After Children in a safe and sustainable way and Ms Gent provided an overview of the work being undertaken to meet this target, which had included implementation of a Workforce Strategy to ensure a strong structure and framework.

In response to questions from the Committee it was confirmed that success was measured by ensuring that there was clarity on how providers could add value and growth and the drive to keep those services local. The volume of Looked After Children in Blackpool was an issue that was being mitigated through good local controls and the Council would continue to build capacity to assist other authorities. This was a very complex and unpredictable area and it was difficult to predict whether the downward trajectory would continue, however, steady progress continued to be made.

With regards to monitoring the effectiveness of the Edge of Care Programme and costs, Ms Gent advised the Committee that the programme combined with the Early Help Offer and it was a piece of work that would continue to be developed and evaluated over the year. Barriers to success were similar to those previously identified for Early Help, which were around developing the understanding from the Council's partners of what the programme entailed, to encourage good partnerships and collaborative working. Consideration was also being given to other challenges such as financial stress and fuel poverty and how the Council could address these through supporting families.

In respect of the impact of the Covid-19 pandemic on delivery of improvement plans, the Committee was advised that despite challenges faced by the Council, the delivery of improvement work had been carried out exceptionally well. Developing and nurturing a workforce during this time had been a challenge, however the service continued to deliver and make steady progress against the improvement plan.

The Committee agreed:

1. That data to outline the number of children being schooled at home would be brought to the next meeting of the Audit Committee.

[Ms Wigglesworth, Ms Gent and Ms Aldridge left the meeting on conclusion of this item].

7 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) MANAGEMENT RESPONSE 2020/2021

Mr Steve Thompson, Director of Resources, provided the Committee with the management response to the External Auditor's report to those charged with Governance (ISA 260) for 2020/2021. An updated ISA 260, along with the final accounts would be presented to the next meeting of the Audit Committee. Five recommendations had been made and had been prioritised as amber (medium) and Mr Thompson provided a summary of the actions

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undertaken to date.

In respect of exit packages, a review of sample exit packages for 2021/22 had been undertaken and all signed agreements were on file. Going forward this would be monitored on a regular basis. The valuation of heritage assets had not been undertaken for a number of years and this would be commenced during 2022. Due to the volume of items it was expected that this would take three to four years to complete.

The remaining recommendations all related to IT access issues. Mirroring access had been raised as a concern which was in place due to the vast commonality of roles and responsibilities at the Council. Going forward this would be automated and implemented in the new financial system to be implemented in April 2023. Access to systems by leavers had also been flagged as a concern, with reviews of access being undertaken on a monthly basis. The risk of system access was minimal and it was confirmed that once an employee left the Council, their access to the building was rescinded and their devices were retained by the Council. Systems could only be accessed on networked devices and not via personal devices. User access had also been raised by the external auditors as a concern and the Committee was informed that a review and check of user access rights would be undertaken on a quarterly basis and consideration could be given to incorporating auto-prompts into the new system.

Ms Nicola Wright, External Auditor (Deloitte), confirmed that the external auditors were happy with the Council's responses to the report.

In response to questions from the Committee it was confirmed that the valuation of heritage assets would require physical examination of the assets and would be incorporated as part of the annual inventory. Assurance was also given in respect of issues identified through exit interviews, the HR service had been reminded of the importance of these being carried out and that the target for completion in 2021/2022 was 100%.

The Committee Agreed:

1. That an updated ISA 260, along with the final accounts would be presented to the next meeting of the Audit Committee.

8 RISK SERVICES QUARTER THREE REPORT

The Committee considered the Risk Services Quarter Three report which provided a summary of the work completed by Risk Services in quarter three of the 2021/2022 financial year.

Ms Tracy Greenhalgh, Head of Audit and Risk, outlined the Internal Audit Plan and noted that 58% of the plan had been completed at the end of quarter three. This was primarily due to a number of recruitment issues, however by the end of the quarter the team was up to full establishment and this would result in gains being made on the Audit Plan over the next three months to bring completion to around 90%. This would give Ms Greenhalgh an adequate level of assurance to write the Annual Opinion.

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The Fraud Team's progress against Fraud Prevention Charter had been hampered by resourcing issues and the pre/post assurance work required for the Covid-related Government business grants. Although inroads were being made in relation to the Fraud Prevention Action Plan, the new omicron business grants would require the team to commit their time to carry out the required pre-assurance checks to ensure businesses received the financial support as soon as possible.

With regards to risk management, the team had seen an increase in requests to facilitate project risk registers which was a positive step in the Council's journey to embed risk management.

The insurance market was currently extremely hard which was making it difficult to enable the Council to transfer property risks in particular to insurers. Work was continuing with the Council's insurers and project managers to put the best risk mitigations in place to secure the appropriate levels of cover.

It was reported that with regards to the Health and Safety Team, support continued to be provided in relation to Covid secure services throughout the pandemic, alongside the usual health and safety matters and Ms Greenhalgh noted that there had been no new Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reportable cases during the quarter.

Updates to Business Continuity Plans and Risk Registers had improved since Ms Greenhalgh's last report to the Committee and work was ongoing with service areas to refresh and bring plans up to date.

In response to questions from the Committee regarding Fraud Awareness Training and the falling numbers of completion, particularly within Children's Services, Ms Greenhalgh confirmed that downward movement was usually as a result of staff turnover and new staff being appointment who would require training. Chief Officers were provided with a quarterly report that identified employees who had not yet completed the training

The Committee questioned the number of emergency response volunteers and that this seemed low at 27. Ms Greenhalgh clarified that the Council had changed its approach to emergency response and the target of 50 did not reflect this move. The Council had moved to a county-wide approach and mutual aid agreements were in place with Lancashire County Council and Blackburn with Darwen Council. Reports undertaken in the new financial year would reflect the revised numbers and include overall numbers from the pan-Lancashire footprint.

Mr Neil Jack, Chief Executive, noted that the original target of 50 did not reflect the fact that many services had duty officers who would respond during a particular crisis and the emergency duty team. The 27 volunteers were those who would support the emergency team to carry out duties such as staffing a community centre if an area had to be evacuated. A review of the number of volunteers that was necessary along with their genuine availability and capacity would be carried out.

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Members requested clarification on fraud statistics and the impact of the pandemic. Ms Greenhalgh confirmed that the proactive work had been paused for lower risk fraud risks to ensure that assurance work on business grants could be carried out. In addition it had been difficult to carry out fraud investigation work such as interviews under caution in a Covid-secure manner. As restrictions lifted the Team would be able to carry out more of the fraud prevention work.

In respect of the National Fraud Initiative, it was confirmed that the main programme ran every two years and the 2020 programme was currently ongoing. The Council Tax single person discount data was refreshed on an annual basis and the team was due to receive new data within the next few months. Once it had been received then this would be a priority area for work, which would show some improvements for future reports. Clarification was given to the Committee regarding a specific fraud that had turned out to be a payroll overpayment error and it was confirmed that a repayment plan was in place.

An overview was given of the assurance work that had been carried out within the quarter and an overall positive assurance had been given for a number of areas. The exceptions to the positive assurance were outlined by Ms Greenhalgh to the Committee in more detail.

In respect of Care at Home, training completion had been deemed Inadequate, however the management response within the report detailed work carried out by the service to address risk and reduce the risk since the audit had been carried out. Work was also being carried out regarding corporate arrangements to ensure a more consistent approach to compliance.

In respect of energy management, inadequate assurance had been given around billing and reconciliation. A further review would be included within the Internal Audit Plan 2022/23 to ensure that those areas had been fully addressed.

Mr Steve Thompson, Director of Resources, updated the Committee on the work being carried out within the service area to address the issues and assured the Committee that this would be prioritised.

The Committee agreed:

1. That a further review in respect of energy management would be included within the Internal Audit Plan that would be brought to the next meeting of the Audit Committee.

9 DATE OF NEXT MEETING

The date of the next meeting was noted as 3 March 2022.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 20 JANUARY 2022

Chairman

(The meeting ended at 7.59 pm)

Any queries regarding these minutes, please contact:
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Tel: 01253 477212
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Agenda Item 3

Report to:	AUDIT COMMITTEE
Relevant Officer:	Heather Morrow, Head of Heritage Peter Legg, Head of Economic and Cultural Services
Date of Meeting:	3 March 2022

AUDIT FOLLOW UP – BLACKPOOL MUSEUM PROJECT

1.0 Purpose of the report:

- 1.1 To consider a progress report on the recommendations made in the internal audit report of the Blackpool Museum Project issued on 4 November 2020.

2.0 Recommendation(s):

- 2.1 To consider the actions being implemented to address the audit recommendations relating to the Blackpool Museum Project.

3.0 Reasons for recommendation(s):

- 3.1 To enable the Audit Committee to consider an update and progress report on the audit recommendations.

- 3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

- 3.3 Is the recommendation in accordance with the Council's approved budget? Yes

4.0 Other alternative options to be considered:

- 4.1 None.

5.0 Council priority:

- 5.1 The relevant Council priority is:

Communities: Creating stronger communities and increasing resilience.

6.0 Background information

- 6.1 At its meeting in April 2021, the Audit Committee agreed to invite Heads of Service to the meeting to provide an update in relation to internal audit recommendation implementation.

- 6.2 The report being considered at this meeting relates to the Blackpool Museum Project audit with the background, scope and assurance statement as follows:
- 6.3 The Council's ambition for Blackpool's first museum is for it to tell the extraordinary story of Britain's first and largest seaside resort – the place that has played an unrivalled role in the development of British popular entertainment over the past 150 years.

The project is being delivered by the Council, however a new and independent charitable company will be established to operate the Museum. After considering the various options, in September 2017, the Project Board chose the Palatine Building as the preferred site for the Museum. The Palatine Building is a landmark building on the promenade between the Tower and Coral Island housing the Sands Venue and Wild West Diner. The building is being redeveloped by Coolsilk Property and Investment Limited into a 5* hotel and leisure complex. The first floor of the building will be leased by the Council for a period of 28 years and will be sublet to the newly formed operating company as part of the agreement.

The Museum aims to be fun, accessible and celebratory - filled with objects, film, magic and performance for all the family to enjoy. It will be a new type of museum which aims to blend the best museological practice with a lively, active visitor experience and an emphasis on pure fun. The focus of the Museum is national popular culture and the huge role that Blackpool has played over the years in British entertainment encompassing dance, variety, comedy, magic and circus. The design is experiential, giving visitors a taste of each form as they learn more about Blackpool's role in popular culture.

6.4 Scope

The scope of the audit was to review:

- The management and progress of the Blackpool Museum Project;
- The creation of the new company and the governance arrangements between the new company and the Council, particularly in relation to Charity Commission regulations; and
- The impact of Covid-19 on the project, including projected timescales and potential funding/grants pressures.

6.5 Assurance Statement

It was considered that the controls in place are adequate with some risks identified and recommendations made as to how these can be further mitigated. The impact of the Covid-19 pandemic and how it will affect the Blackpool Museum once open is unknown, but recommendations have been made in order to further strengthen the approach in this area.

- 6.6 Does the information submitted include any exempt information? No

7.0 List of Appendices:

- 7.1 Appendix 3(a) - Internal Audit Recommendations and Agreed Actions.
Appendix 3(b) - Update Report on Audit Report Recommendations

8.0 Financial considerations:

- 8.1 The controls being implemented will be done so within current budget constraints.

9.0 Legal considerations:

- 9.1 Risks need to be effectively managed in order to comply with relevant legislation.

10.0 Risk management considerations:

- 10.1 To enable the Audit Committee to gain assurance that risks are being effectively managed.

11.0 Equalities considerations:

- 11.1 Where equality analysis is appropriate these will have been undertaken whilst making decisions relating to the subject.

12.0 Sustainability, climate change and environmental considerations:

- 12.1 Any matters relating to sustainability, climate change and environmental considerations will be considered when making decisions relating to the subject.

13.0 Internal/external consultation undertaken:

- 13.1 The progress report has been prepared in conjunction with the relevant Head of Service and Chief Officer.

14.0 Background papers:

- 14.1 None.

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APPENDIX 3(a)

Agreed Action Plan

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
R1	Steps should be taken to agree the contribution of the acoustic separation costs from Coolsilk.	2	Implemented - This budget pressure has now been absorbed within the agreed contractor's costs.	N/a	N/a	
R2	Risk assessments for Covid-19 adjustments should be completed and shared with NHLF to establish whether Covid-19 uplifts are possible/required.	2	Agreed. Reviews of the base build, exhibition, activities and business plan have now taken place and a number of actions have been identified which can easily be incorporated. This will be an ongoing process in terms of what Covid-related adjustments are required to enable the Museum to adapt as required, and will be managed via the Project Risk Register and regular meetings with the NHLF.	Head of Heritage	Ongoing until the museum opens	

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
R3	The business plan should be reviewed and updated in light of Covid-19, and should articulate the various potential scenarios considered so that contingency plans can be prepared in order to react to the future Covid-19 situation.	2	Agreed - Scenarios around the impact of Covid-19 have been considered and a methodology for testing them has now been presented to the Board. This approach will continue as time progresses leading up to the Museum opening in 2022, to ensure that the project is as prepared as possible for whatever the Covid-19 situation may be at that time.	Head of Heritage	Ongoing until the museum opens	
R4	Lessons learned from the Covid-19 experiences from both neighbouring attractions and museums across the country should regularly be considered, so that successful approaches can be implemented.	2	Agreed - This will be achieved via involvement with various groups such as the Lancashire Museum Forum and the Museums Association, as well as learning from the experiences of local attractions.	Head of Heritage	Ongoing until the museum opens	

Update on Recommendations**Report to the Blackpool Council Audit Committee to be held on 3 March 2022**

1.	Introduction
1.1	<p>A review of the Blackpool Museum Project was undertaken by Blackpool Council's internal audit team in 2020. This resulted in a report dated 4 November 2020.</p> <p>This review gave four recommendations. This report provides an update for the Audit Committee in terms of the progress being made to implement them.</p>
2.	Update on Actions from Audit Report
2.1	<p><i>Recommendation 1 - Steps should be taken to agree the contribution of the acoustic separation costs from Coolsilk.</i></p> <p>This recommendation has been implemented and resulted in a sharing of the costs. The acoustic separation solution resulted in three cost elements:</p> <ol style="list-style-type: none"> 1. The construction of an acoustic retaining wall around the inside perimeter of the building – this work was undertaken by Coolsilk and the full costs were borne by them. 2. An element of exhibition redesign made necessary by the wall's construction – these costs were met by use of the project contingency as agreed with project funder, the National Lottery Heritage Fund. 3. The application of an acoustic lining to the ceiling within the museum demise – these costs were incorporated into the capital basebuild costs and undertaken by the museum project's basebuild contractor.
2.2	<p><i>Recommendation 2 - Risk assessments for Covid-19 adjustments should be completed and shared with NHLF to establish whether Covid-19 uplifts are possible/required.</i></p> <p>This recommendation has been actioned. A full and detailed project Covid review was undertaken during 2020. This considered the potential implications of Covid on the basebuild, the exhibition design, public engagement and the</p>

	<p>business plan. This review was discussed at the Project Board on 2 November 2020. It also formed the basis of a meeting with the National Lottery Heritage Fund. This situation has remained under review and an uplift request to the NLHF is currently in preparation. It will be submitted by the end of February for consideration at their meeting on 24 March.</p>
2.3	<p><i>The business plan should be reviewed and updated in light of Covid-19, and should articulate the various potential scenarios considered so that contingency plans can be prepared in order to react to the future Covid-19 situation.</i></p> <p>This recommendation has been implemented. The original business plan was completed in 2019 by Amion Consulting. In 2021 a detailed and comprehensive review of the business plan was undertaken. This resulted in a refreshed business plan, which took full account of the impacts of Covid on the tourism landscape of Blackpool in general and on Showtown (Blackpool Museum) in particular. Blackpool Council's Finance Department, the Director of Communications and Regeneration (also the Project Sponsor), the Director of Resources, the Director of Governance and Partnerships and the National Lottery Heritage Fund business adviser were all fully involved in this process. The review included a risk analysis and implications for future visitor number restrictions.</p>
2.4	<p><i>Lessons learned from the Covid-19 experiences from both neighbouring attractions and museums across the country should regularly be considered, so that successful approaches can be implemented.</i></p> <p>This recommendation remains on-going. The Museum project is part of the Lancashire Museums Forum which meets quarterly. Covid-19 and its implications forms part of the agenda and experiences are shared regularly. The project is also part of the wider Museums Development North West Network which similarly shares regional and national information through regular blogs, emails and training sessions. The Head of Heritage is also part of the English Civic Museums Network which meets monthly and is a forum for sharing information and experiences relating to a wide range of museum and business issues, including Covid. Blackpool Council's close involvement with a range of Blackpool tourist attractions also provides useful and interesting insights into the local tourism economy, including the impacts of Covid-19.</p>

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Agenda Item 4

Report to:	AUDIT COMMITTEE
Relevant Officers:	Philip Welsh, Head of Tourism and Communications
Date of Meeting:	3 March 2022

AUDIT FOLLOW UP – ADVERTISING

1.0 Purpose of the report:

- 1.1 To consider a progress report on the recommendations made in the internal audit report of the Advertising service issued on 30 September 2019.

This item was originally considered by the Audit Committee on 24 September 2020. However as progress on implementing the recommendations had been delayed by the impact of the Covid-19 pandemic it was agreed that the item should be brought back to the Committee at a later date.

2.0 Recommendation(s):

- 2.1 To consider the actions being implemented to address the audit recommendations relating to Advertising.

3.0 Reasons for recommendation(s):

- 3.1 To enable the Audit Committee to consider an update and progress report on the audit recommendations.

- 3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

- 3.3 Is the recommendation in accordance with the Council's approved budget? Yes

4.0 Other alternative options to be considered:

- 4.1 None.

5.0 Council Priority:

- 5.1 The relevant Council priority is:
The Economy: maximising growth and opportunity across Blackpool.

6.0 Background Information

- 6.1 At its meeting in April 2021, the Audit Committee agreed to invite Heads of Service to the meeting to provide an update in relation to internal audit recommendation implementation.

The report being considered at this meeting relates to the Advertising service with the scope and assurance statement as follows:

6.2 Scope

The scope of the audit was to review:

- Advertising income generation;
- Organisational and operational efficiency;
- Financial Management; and
- Strategic Direction.

6.3 Overall Opinion and Assurance Statement

The audit did not find any significant control issues, however considerable scope to improve operational efficiency and effectiveness was found. It is however considered that the controls in place are adequate, with some risks identified and assessed and several changes necessary.

7.0 List of Appendices:

7.1 Appendix 4(a) - Internal Audit Recommendations and Update on Agreed Actions.

8.0 Financial considerations:

8.1 The controls being implemented will be done so within current budget constraints.

9.0 Legal considerations:

9.1 Risks need to be effectively managed in order to comply with relevant legislation.

10.0 Risk management considerations:

10.1 To enable the Audit Committee to gain assurance that risks are being effectively managed.

9.0 Financial considerations:

9.1 The controls being implemented will be done so within current budget constraints.

10.0 Risk management considerations:

10.1 To enable the Audit Committee to gain assurance that risks are being effectively managed.

11.0 Equalities considerations:

- 11.1 Where equality analysis is appropriate these will have been undertaken whilst making decisions relating to the subject.

12.0 Sustainability, climate change and environmental considerations:

- 12.1 Any matters relating to sustainability, climate change and environmental considerations will be considered when making decisions relating to the subject.

13.0 Internal/ external consultation undertaken:

- 13.1 The progress report has been prepared in conjunction with the relevant Heads of Service and Chief Officers.

14.0 Background papers:

- 14.1 None.

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APPENDIX 4(a)

Agreed Action Plan

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
R1	The training needs of staff involved in advertising and sponsorship should be reviewed to ensure that best practice and techniques are being deployed.	3	Agreed. Will be picked as part of the IPA process.	Head of Tourism and Communications	December 2019	A training module was delivered in October 2020 via PowerPoint by the Business Development Manager (BDM) to those involved in customer facing interactions, on basic sales cycles and negotiation skills. More cross channels sales are now occurring and as a result the sharing of best sales practice. A refresh of this training will be undertaken in 2022

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R2</i>	A specific policy should be developed that governs the wider spectrum of advertising and sponsorship.	2	Agreed. It is currently in progress. High level advice has been sought which will contribute to the production of guidance for the Council.	Director of Communications and Regeneration	November 2019	An advertising policy was developed with the corporate team and the BDM and an updated version was produced in October 2020. This provided clear advertising guidelines applicable to Council assets and other Council-owned companies.
<i>R3</i>	The production of an advertising and sponsorship strategy and operational plan should be seen as a priority.	2	Agreed.	Head of Tourism and Communications	March 2020	A Council Advertising Business Plan was created by the BDM which encompasses improvements to strategy and income generation across all revised Council-owned assets. The operational plan is frequently reviewed to ensure it is fit for purpose. A refresh is currently underway to reflect the COVID-related disruption to key advertising markets

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R4</i>	We recommend that the Advertising team updates their web presence and also the literature to promote their services, using good examples from other local authorities.	2	Agreed.	Head of Tourism and Communications	March 2020	Web presence for all areas of advertising has been revised on the blackpool.gov.uk site, making our products more visible and communication much simpler.
<i>R5</i>	Any strategy or operational plan should also be supported by a risk register.	2	Agreed.	Head of Tourism and Communications	March 2020	Elements of risk relating to income generation currently sit within risk registers for individual services within the Tourism & Communications portfolio. As a more co-ordinated approach is developed to cross-selling across various assets, it is intended to produce a standalone risk register for Advertising by the end of 2022

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
Page 28	R6 The responsibility for securing sponsorship should be clearly assigned and be part of the overall strategy.	2	Agreed. This will be looked at part of the strategy that will be written as per Recommendation 3.	Head of Tourism and Communications	March 2020	This is assigned to the Business Development Manager and covers the Illuminations, events and publications. The BDM also looks at cross-selling opportunities to benefit both the advertiser and the Council assets income.
	R7 Market testing of what an external advertising agency could offer to build on and enhance the current advertising function should be considered.	2	Agreed. Will test market to see whether an external agency can help deliver national advertising.	Head of Tourism and Communications	March 2020	Discussions continue with the possibility of outsourcing a number of shelter and bill board sites for digital marketing opportunities. Progress has been delayed to a degree by the impact of the pandemic on advertising markets but will gather pace as those markets start to recover

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R8</i>	The Advertising team should conduct a stock-take to ascertain the entirety of advertising assets maintained by the Council. This stock-take should include assets that are little used, such as litter bins and also vehicle advertising. It should also include the Council's digital and social media platforms.	2	Agreed. Will need to capture assets from across the Council.	Head of Tourism and Communications	March 2020	A detailed audit has been carried out for the assets that fall within the remit of the Communications & Regeneration directorate. This comprises bus and tram shelters, billboards, poster sites, the screens in Bickerstaffe, and free-standing pods and panels. It also includes the digital and social media platforms and Illuminations. Further work is being done on identifying assets in other directorates and arms-length companies.

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R9</i>	A central asset register should be established by the Advertising team.	2	Agreed. As above	Head of Tourism and Communications	March 2020	This is in development as move to more cross-channel marketing packages. This is also a part of the long-term advertising strategy contained within the Business Plan
<i>R10</i>	A comprehensive and supported rate card for the advertising assets should be maintained.	2	Agreed. Head of Tourism and Communications felt that this was already in place for Visit Blackpool, and will check. However these need to be in place across all advertising assets, with necessary baselines and volume discounts.	Head of Tourism and Communications	March 2020	Rate-cards are in place for the assets and products that sit within the Tourism & Communications services. This will form the basis of a uniform rate-card that can be utilised across all Council assets where appropriate.
<i>R11</i>	Charge rates should be benchmarked periodically with similar and/or nearby local authorities to ensure that a fair market rate is being achieved.	2	Agreed.	Head of Tourism and Communications	March 2020	This is undertaken on a regular basis.

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R12</i>	The Advertising team should conduct an analysis on achieving an effective balance between selling Council advertising space primarily to external advertisers as opposed to internal council customers within the context of a potentially increased advertising offer.	2	Agreed. Campaigns – consider assets (if appropriate) before spending on external advertising. Some free capacity is already being given to Council Services.	Head of Tourism and Communications	March 2020	We work closely with other Council services so that they are able to access advertising platforms where appropriate. This can be done without charge (subject to availability) or at discounted rates if advertising space needs to be guaranteed. Currently demonstrated by the use of the Tower lights and bus shelters as part of an Illuminations sponsor package. Throughout the COVID pandemic when commercial advertising dried up, vacant sites were extensively used for COVID-related public information messages.

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R13</i>	As part of the above assessment the Advertising team should assess their income models to allow for internal customers to access advertising space at a reduced rate where mutually beneficial.	2	Agreed. This will be linked to Recommendation 12 (Rate Card). Free space is offered to Council services presently, but not everything can be free.	Head of Tourism and Communications	March 2020	As above
<i>R14</i>	The Advertising team should incorporate the leisure centres and other customer facing buildings as part of their overall Council advertising assets and look to actively place appropriately selected adverts, even if it is to advertise local council services.	3	Agreed. Will discuss with Head of Leisure, Catering and Parks, to ascertain what opportunities exist.	Head of Tourism and Communications	March 2020	This has been tested during Covid with a number of temporary digital screens in select leisure assets and Council offices, and is included in the Advertising Business Plan future strategy. These discussions continue to take place particularly as digital advertising is increasingly replacing traditional methods of advertising.

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R15</i>	A thorough review of the current physical advertising asset base should be undertaken to produce a scheduled maintenance and replacement programme.	2	Agreed.	Head of Tourism and Communications	March 2020	A full review of advertising assets was carried out and a schedule of maintenance and replacement is being developed. Where possible, funding bids are being developed in support of this activity
<i>R16</i>	On future advertising related projects, a closer working arrangements should be established with Planning and Highways to allow for problems and issues to be discussed and rectified earlier in the process.	2	Agreed.	Head of Tourism and Communications	March 2020	Future plans and developments continue, especially around the digital strategy for Blackpool, and working closely with Planning and Highways is currently key to its development.
<i>R17</i>	The advertising business and strategic plans, when developed should incorporate planned increases to the advertising assets.	2	Agreed.	Head of Tourism and Communications	March 2020	This forms part of the Business Plan completed by the BDM

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R18</i>	The Advertising team should engage with the relevant teams within the Council to influence the creation of advertising assets in key new development locations.	2	Agreed.	Head of Tourism and Communications	March 2020	This continues as part of the Growth and Prosperity Agenda, and a recent example of this is currently seen with talks for digital bill boards being developed within the Enterprise Zone at the Airport as part of the existing shelter advertising portfolio and at the new integrated tram terminus at Talbot Gateway

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R19</i>	The Advertising team should review the feasibility and the income generation potential from advertising on websites, which should at a minimum include advertising local Council Services.	3	Agreed. Head of Tourism and Communications asked that Internal Audit send some examples of other Council's advertising on their websites.	Head of Tourism and Communications	March 2020	This is currently being explored with an external company. Initial progress was delayed due to the main focus on the corporate website being placed on COVID-related messaging. This will be reviewed again during 2022 as to whether the potential income opportunity outweighs the risk of damaging the integrity of our website. Our VisitBlackpool tourism website continues to generate a healthy income stream

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Agenda Item 5

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Head of Audit and Risk
Date of Meeting:	3 March 2022

STRATEGIC RISK REGISTER 2022/2023

1.0 Purpose of the report:

- 1.1 To present the Council's revised Strategic Risk Register to the Audit Committee. The Strategic Risk Register was last approved by the Audit Committee in March 2021 and this revised version has been subject to a review and amended accordingly.

2.0 Recommendation(s):

- 2.1 The Audit Committee is asked to note the Strategic Risk Register for 2022/2023 and to approve the proposed programme of deep dive reviews which will be presented at future meetings.

3.0 Reasons for recommendation(s):

- 3.1 To ensure that strategic risks are effectively managed.
- 3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No
- 3.3 Is the recommendation in accordance with the Council's approved budget? Yes

4.0 Other alternative options to be considered:

- 4.1 The Strategic Risk Register is a key component of the Council's Risk Management Framework.

5.0 Council priority:

- 5.1 The Strategic Risk Register covers all Council priorities.

6.0 Background information

- 6.1 The Strategic Risk Register is reviewed and updated by the Corporate Risk Management Group and the Corporate Leadership Team. It receives annual approval from the Audit Committee. Risk Owners are required to attend Audit Committee on a periodic basis to provide an update in terms of how each risk is being managed.

6.2 For 2022/2023 the Risk Register has been updated and reformatted to ensure that it incorporates key information. The main difference is that the categories of risk have been changed to align with the Risk Management Framework 2021-2025. Doing so has a number of advantages, including:

- The Strategic Risk Register now follows the same format encouraged for service and project risk registers in the Risk Management Framework.
- The new risk categories allow for better grouping of sub-risks rather than services being spread over many risks as on the previous version of the risk register.

6.3 All risks are subject to being scored and the risk matrix which is used to facilitate these discussions is as follows:

LIKELIHOOD (PROBABILITY)	IMPACT	IMPACT	IMPACT	IMPACT	IMPACT
HIGH LEVEL OF CERTAINTY (5) The event is expected to occur in most circumstances	5	10	15	20	25
LIKELY (4) The event will probably occur in most circumstances	4	8	12	16	20
POSSIBLE (3) The event is fairly likely to occur	3	6	9	12	15
RARE (2) The event could occur at some time	2	4	6	8	10
UNLIKELY (1) The event may occur only in exceptional circumstances	1	2	3	4	5
IMPACT FINANCIAL	INSIGNIFICANT (1)	MINOR (2)	MODERATE (3)	MAJOR (4)	CATASTROPHE (5)
IMPACT PERSONAL	NO INJURY (1)	MINOR INJURY (2)	5+ DAYS (3)	INCAPACITY (4)	DEATH (5)

Key

Risk Management Action Level	Tolerable	Low Priority	Activity Necessary in Current Year	High Priority
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6.4 It should be noted that some strategic risks are outside of the Council's direct control and therefore it is not possible to mitigate these risks. Therefore the purpose of the Risk Register is to manage (or treat) these risks as effectively as possible, but accepting that any actions taken may not necessarily reduce the risk score. Risk treatment is the process of taking action to minimise the likelihood of the risk occurring and also reducing the severity of the consequences should it occur. Risk control usually requires managers to identify and implement revised working practices or implement projects to manage potential risks. The various options available are listed in the following table:

Tolerate	Do nothing and continue as planned. The ability to do anything may be limited or the cost of taking action may be disproportionate to the potential benefit gained.
Treat	Introduce control procedures to increase the chance of success.
Transfer	Share the exposure of risk via insurance or with a contractor. The relationship with a contractor needs to be carefully managed as it may not be possible to fully transfer all risks and some aspects might remain such as reputational risk.
Terminate	Withdraw from the activity if possible.

6.5 The proposed timetable for Audit Committee 'deep dives' of these risks is as follows:

Month	Risk Category	Sub- Risks	Chief Officer(s)
April	People	a) Lack of capacity and capability. b) Poor employee health and wellbeing.	a) Chief Executive b) Chief Executive
June	Reputational	a) Inability to deliver Council services. b) Inability to respond to a major incident.	a) Director of Resources b) Director of Resources / Director of Adult Services
July	Security	a) Terrorism related act at major events and in publicly accessible locations. b) Pandemic infection / health security concern.	a) Director of Communications and Regeneration / Director of Resources b) Director of Public Health / Director of Community and Environmental
September	Strategy	a) Poor health and wellbeing outcomes. b) Poor educational attainment. c) Provision for children with special educational needs and disabilities is inadequate.	a) Director of Public Health / Director of Community and Environmental Services b) Director of Children's Services c) Director of Children's Services
October	Legal	a) Hardening insurance market b) Inadequate safety management of the public realm /	a) Director of Resources b) Director of Community and Environmental Services c) Director of Resources

		communities. c) Unsafe workplace.	
December	Commercial	a) Local economy fails to recover b) Tourism Economy fails to Recover c) Supply chain failure	a) Director of Communications and Regeneration b) Director of Communications and Regeneration c) Director of Resources / Director of Community and Environmental / Director of Strategy (Assistant Chief Executive)
March	All	a) Revised strategic risk register for 2023/24 to be presented.	a) Head of Audit and Risk

The remaining risks will be considered as part of the 2023/2024 financial year including:

- Governance
- Operations
- Property
- Financial
- Technology
- Information
- Project / Programme Management

6.6 Does the information submitted include any exempt information? No

7.0 List of Appendices:

7.1 Appendix 5(a) – Strategic Risk Register 2022/2023

8.0 Financial considerations:

8.1 Where possible risks will be managed within current budgets. Where it is not feasible to do so, this will be escalated to the Corporate Risk Management Group and the Corporate Leadership Team where a decision will be made to accept the risk or identify additional funding to implement the required controls.

9.0 Legal considerations:

- 9.1 The Council needs to ensure that it effectively manages its risks to avoid the potential of legal challenge or prosecution.

10.0 Risk management considerations:

- 10.1 The Strategic Risk Register is a key component of the Council's overall Risk Management Framework.

11.0 Equalities considerations:

- 11.1 Equality features on the Risk Register.

12.0 Sustainability, climate change and environmental considerations:

- 12.1 Climate change and sustainability feature on the Risk Register.

13.0 Internal/external consultation undertaken:

- 13.1 The Strategic Risk Register has been prepared in consultation with the Corporate Risk Management Group and Directorate Management Teams. The Strategic Risk Register was approved by the Corporate Leadership Team on 15 February 2022.

14.0 Background papers:

- 14.1 Risk Management Framework 2021-2025.

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APPENDIX 5(a)

No	Risk	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Nett Risk Score	Further Actions	CLT Risk Owner	Target / Review Date	Council Priority		
				I	L	GS								
1. Strategy														
1a	Poor health and wellbeing outcomes.	Increased demand for statutory services.	Build a more resilient community to reduce reliance on the public sector.	4	5	20	Dementia Action Alliance in place.	4	4	16	Monthly VCFS/Communities catch up meeting to be introduced post Covid-19. Deliver the new Digital Blackpool program which is focused on reducing issues experienced during isolation. Focused work with the Primary Care Networks (NHS) to ensure multi agency work continues, focused around place based solutions. Develop joint working with the NHS to develop neighbourhoods. Work with NHS Colleagues on their Communications and Engagement work to inform the Community Engagement Strategy and Guide. Review the leisure services offer to determine what the impact on income would be if the service created a greater focus on health and wellbeing rather than necessarily competing with the private sector gym market. Deliver the actions identified in the Green and Blue Infrastructure Strategy for the year as such initiatives are shown to have a positive impact on health and wellbeing.	Director of Public Health Director of Community and Environmental Services Director of Community and Environmental Services	March 2023 March 2023 March 2023 March 2023 March 2023 March 2023 March 2023 March 2023	Communities
							Preventative services such as the Tobacco Addiction Service are in place to improve health outcomes and reliance on public services.							
							Continued work with grass root community groups to advise / signpost them to support that enables them to support their communities.							
							Isolation support for Blackpool residents is in place and a counselling service has been commissioned to support those who have to isolate due to Covid-19 and require mental health and wellbeing support.							
							Integration 2020 project, which involved multi-agency work to encourage connecting people and organisations in a coordinated approach to solution focused community engagement and development, in order to improve peoples health and wellbeing.							
							Work being undertaken to encourage and support greater levels of community engagement and development in neighbourhoods, pushing health and social care services to consider factors that influence people's health and wellbeing beyond the medical model of intervention.							
							Increased town wide engagement and community involvement.							
							Community Covid champions focussing on vaccination, increasing uptake and guiding those who are not vaccinated to understand why and support accordingly.							
							School Improvement Board in place.							
							Links with the Regional Schools Commissioner and OFSTED embedded.							
1b	Poor educational attainment.	Loss of, or lack of, talent to take up employment in Blackpool. Increased exclusions and children missing education. Statutory requirement for local authority to ensure the adequate provision of school places in local area would not be met.	Schools Improvement Funding.	4	5	20	School improvement strategy in place which is challenged through the school improvement governance structure.	4	4	16	Further enhance the tracking system for school performance and work in conjunction with the Regional Schools Commissioner to hold schools to account. Refine the Inclusion Plan for schools and literacy strategy. Continue to gatekeep the process for making referrals to the Pupil Referral Units and ensure a robust Admissions Policy and Right of Appeal is in place. Further develop a school led system which improves attainment at Key Stage 3 and 4 whilst holding individual Trusts to account.	Director of Children's Services Director of Children's Services Director of Children's Services Director of Children's Services	August 2022 September 2022 September 2022 September 2022	Communities
							Ten year strategy in place for 2020 to 2030 and Inclusion Strategy in place.							
							Reviewed the Medical Admission Policy to ensure the right young people receive specialist support and maintain a good understanding of academies as admissions authorities to prevent delay in school allocation.							
							School Organisation Plan in place to predict requirements for school places so that provision can be made as demand increases.							
							SEND board and partnership governance is in place.							
							Improved opportunities for all children.							
1c	Provision for children with special educational needs and disabilities (SEND) is inadequate.	Lack of support for children with special educational needs and disabilities.	Improved opportunities for all children.	4	5	20	SEND board and partnership governance is in place.	4	4	16	Update SEND Self-Evaluation Framework (SEF) and Strategy.	Director of Children's Services	April 2022	Communities

					Professional SEND Team in place which provides a range of support and services to children and their parents / carers.		
					Subject to Ofsted inspections which provide assurance on the quality of services provided.		
					Refresh the SEND place-plan.	Director of Children's Services	April 2022
					Enhance the special school estate.	Director of Children's Services	September 2023
					Improve SEND compliance.	Director of Children's Services	September 2022

2. Governance

2a	Failure of wholly owned companies.	Ineffective decision making and oversight resulting in company failure and subsequent reputational damage.	Innovative solutions for delivering services and attractions for residents and visitors.	5	4	20	Five year recovery plans in place which are reviewed and authorised by the Council's Director of Resources.	5	3	15	Continued robust conversations between the Council and its companies to ensure that recovery plans are deliverable.	Director of Resources	March 2025	Organisational Resilience	
		Financial impact on the Council due to companies debts underwritten by the Council.					Shareholder Committee in place to oversee the activity of the companies.				Roll out of the revised Good Governance Framework to all Company Boards to ensure consistency of approach with regards to governance and decision making.	Director of Governance and Partnerships	September 2022		
		Companies are no longer financially viable.					Boards with independent members in place for each of the companies supported by a Company Secretary.				Improve risk reporting from the companies through to the Shareholder Committee to improve oversight of strategic risks.	Director of Governance and Partnerships	September 2022		
											Introduce reporting from the Shareholder Committee through to the Council's Audit Committee to provide assurance that company risks are being effectively mitigated.	Director of Governance and Partnerships	March 2023		
2b	Inappropriate decisions made by the Council.	External challenge.	Delivery of good services.	4	5	20	Statutory legal and financial officers in place.		4	3	12	Deliver the action plan arising from the Annual Governance Statement 2021/22.	Director of Governance and Partnerships	March 2023	Organisational Resilience
		Quality of service compromised.		Assurance mechanisms such as internal audit, external audit, peer review and external assessments.	Ensure that Council services, senior leadership, Members and wholly-owned company boards are aware of their responsibilities in relation to the public sector equality duties	Director of Resources	March 2023								
		Legal challenge due to not adhering to the Equality Act Public Sector Duty when making decisions.		Awareness of standards required and awareness of the consequence of failure raised through channels such as DMTs and SLT.											
				Corporate compliance calendar in place and rolled out across the Senior Leadership Team.											
				Constitution and Financial Regulations in place.											
				Good Governance Group in place which oversees the production and delivery of the Annual Governance Statement.											
				Suite of mandatory training in place.											
				Equality and Diversity advice available with Compliance assessments undertaken across directorates.											
				Embedded process for equality impact assessments.											
2c	Failure of key strategic partnerships.	Ineffective decision making and oversight resulting in Council priorities not being met.	Ability to deliver solutions with private and public sector partners to increase service offers to residents and visitors.	4	4	16	Partnership governance framework has been put in place which sets out the process for defining key partnerships and the governance requirements for these.		4	3	12	Ensure that the partnership governance framework is embedded across all key partnerships including key commercial partners such as the Hounds Hill and Merlin.	Director of Governance and Partnerships	March 2023	Economy
		Financial impact on the Council should partnerships fail.		Partnership Boards and Relationship Meetings are in place for key commercial partners such as Merlin and the Hounds Hill.											

3. Operations

3a	Failure / unsustainability / removal of Children's Services.	Preventable death / injury to a child.	Consider options for shared services and opportunities for flexible use of new funding streams.	5	5	25	Recommendations made by OFSTED have been articulated in clear plans which have driven the work of the senior leadership team in Children's Social Care.	5	4	20	Prepare for the next full Ofsted Inspection which is anticipated in autumn with a view to remove Children's Services from its current inadequate rating.	Director of Children's Services	December 2022	Communities
		Unsustainable costs for looked after children.	Implementation of robust working practices in a Council run Children's Services.				Plans are being monitored through the "Getting to Good" board and regularly reviewed by the Chief Executive, lead member for Children's Services and Leader of the Council.				Monitor the effectiveness of the Edge of Care service to reduce the need for children to enter into care.		March 2023	

5. Property														
5a	Property failure due to poor maintenance or lack of inspection regime.	Death / injury to a member of staff / public resulting in civil or criminal proceedings.	Well maintained and safe property portfolio.	5	4	20	Property Risk Management group in place which meets quarterly and reports to the Corporate Risk Management Group.	5	3	15	A process to undertake property compliance audits at the Council's wholly owned companies to be implemented, particularly in light of the Social Housing White Paper which could see further responsibility fall to the Council.	Director of Resources	March 2023	Organisational Resilience
							Corporate Asset Management Group in place to oversee key decisions relating to property investment.				Ensure that up to date lease arrangements are in place with the wholly owned companies which clearly define roles and responsibilities for property maintenance and statutory inspection.	Director of Resources	March 2023	
							Statutory inspection regime in place overseen by the Corporate Landlord (Property Services).				Review the property portfolio following the covid Covid pandemic to take account of hybrid working and desk allocation in	Director of Resources	March 2023	

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6. Financial

8. People

					Better use of expertise in the wholly owned companies and wider partnerships.									
8b	Poor employee health and wellbeing.	Absenteeism, presenteeism and reduced productivity. High staff turnover.	Develop a culture where health and wellbeing are at the forefront of employee support.	4	4	16	Arrangements for managing work related pressure, supported by an online stress work tool, iPool module and face to face training. A range of training courses in place to help build individual resilience skills. Absence management procedures in place. Leadership Charter and survey conducted to ensure employees are well led. A network of Council wide Health Champions has been established. Corporate Health and Wellbeing Group has been established chaired by the Director of Public Health. Occupational health service in plan which provides access to support services such Covid support page available on the Hub detailing a wide range of health and wellbeing support which can be provided for employees.	4	3	12	Ensure that all managers complete the revised mandatory Attendance Management iPool course. Establish a joint working group with the trade unions to consider employee health and wellbeing and how to improve attendance. Continue to liaise with health partners to establish a fast track route to the long Covid clinic for employees who may have been impacted.	Chief Executive	March 2023	Organisational Resilience
9. Technology														
9a	Cyber Threats.	Cyber fraud. Reputational damage. Loss of compliance with security regimes. Loss of confidence in using Council on-line services. Monetary penalties / fines.	Improved knowledge and awareness across departments on identifying phishing emails. Participate in training and knowledge gathering opportunities. Robust cyber security controls in place.	5	5	25	Investment in Sandbox technology. SIEM (Security Information Event Management) implemented to proactively monitor activity on the network. The use of blacklists / reputation to authenticate emails received. Proactive engagement with regional and national cyber security agencies. ICT Security Policy in place supported by mandatory Cyber Awareness Training. Contracted specialist third party cyber breach advice in place. Two internet connections maintained to provide resilience. Artificial intelligence being used to further detect and reduce the amount of SPAM e-mails. Cyber incident exercises undertaken with partner organisations. Cyber policy in place with reputable insurer providing breach response and liability cover. Full Sender Policy Framework (SPF) checking in place and adherence to the NCSC guidelines for Securing Government email. White listing utilised to mitigate the risk of being hijacked. Cyber risk awareness sessions held at the various risk management groups across the Council.	5	4	20	Continue to develop and refine technologies to provide proactive altering and monitoring of the changing threats. Consider how to protect back up systems and other administrative systems with two factor authentication, even if only internally facing. Proactive registration to ensure that every employee is using two factor authentication.	Director of Resources	March 2023	Organisational Resilience
9b	Critical system failure.	Inability to undertake business critical activity due to software failures.	Fit for purpose software in place which meets business needs.	5	4	20	List of critical systems and system administrators in place.	5	3	15	Assess the budget that is available to look for provisions for data centre refresh in the coming years to continue to provide resilience.	Director of Resources	March 2023	Organisational Resilience

10. Information														
10a	Residents unable to access / influence information about Council Services.	Lack of community engagement to inform Council service provision.	Strong two way communication channels with residents.	4	4	16	Increased use of new communication channels such as social media and newsletters.	4	3	12	Continue to grow the Council's communication with residents, particularly through the use of social media and lessons learned during the pandemic.	Director of Communications and Regeneration	March 2023	Communities
	Residents unable to access Council services due to a lack of information.						Increased commitment to one brand for the Blackpool resident.				Explore how digital methods can be used to target engagement activity via a channel shift review to help ensure that service delivery is relevant to community need.	Director of Public Health	March 2023	

11. Security														
11a	Terrorism related act at major events and in publicly accessible locations.	Long term damage to the visitor economy.	Develop increased confidence amongst visitors that Blackpool is a safe place to visit.	5	4	20	Close working with Police, Counter Terrorism policing and other agencies via the Emergency Planning team, Lancashire Resilience Forum and Safety Advisory Group for events.	5	3	15	To work with partners to consider learning from the Manchester Arena inquiry as lessons identified are issued.	Director of Communications and Regeneration	March 2023	Communities
	Negative impact on the local community.	Residents feel safe when in Blackpool Town Centre.					ACT Awareness training rolled out to council staff. See, Check and Notify (SCaN) training being rolled out to relevant council staff and businesses across the town.				To embed with the Growth and Prosperity team the requirement to ensure protective security in relation to counter terrorism is considered for development schemes across the town.	Director of Communications and Regeneration	March 2023	

13. Reputational

13a	Inability to deliver Council services.	Lack of resilience results in services not being delivered.	Services able to adapt and be flexible to maintain critical services regardless of the incident.	4	5	20	Business continuity programme in place which links to the Council's Major Emergency Plan. Corporate business continuity plan in place supported by a critical activity list. Business continuity is included for discussion at the various risk management groups. Links with the Lancashire Resilience Forum to consider business continuity in the local government sector.	4	3	12	Complete the roll-out of the revised service level business continuity plan template and update the Corporate Business Continuity Plan.	Director of Resources	September 2022	Organisational Resilience
13b	Inability to respond to a Major Incident in Blackpool.	May not be able to provide all the resources required as a Category One Responder. Potential public inquiry if the incident was not dealt with effectively. Disruption to community, services and businesses. Loss of community cohesion and potential reputational damage. Trauma faced by families and work colleagues.	Corporate approach to responding to incidents. Ability to effectively support people during a major incident.	5	3	15	Major Emergency Plan in place outlining roles and responsibilities. Annual major incident exercise takes place to test the Council's arrangements. Lancashire wide community risk register in place which the Council contributes to. Planning for potential incidents through the Lancashire Resilience Forum. Training programme in place for staff who could be involved in dealing with a major incident. Shared service arrangement for the delivery of an emergency planning service. Emergency response group in place to provide humanitarian support in a major emergency. Arrangements in place for staff to work collaboratively with emergency services, and familiarisation with supporting mechanisms which are on offer. Employee Assistance Programme in place. Lancashire Volunteer Agreement and Mutual Aid Agreements in place to support with the Emergency Response Group. Partnership working arrangements in place via the Lancashire Resilience Forum	5	2	10	Undertake a full review of the Major Emergency Plan . Regular check of Emergency Response Group members to ensure continued support, training, check contact information correct and ensure access to enough volunteers.	Director of Resources Director of Adult Services	March 2023 March 2023	Communities

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Agenda Item 6

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Head of Audit and Risk
Date of Meeting:	3 March 2022

FRAUD AND ERROR PREVENTION CHARTER 2022/2023

1.0 Purpose of the report:

- 1.1 To obtain approval from the Audit Committee for the Fraud and Error Prevention Charter 2022/2023.

2.0 Recommendation(s):

- 2.1 The Audit Committee is asked to approve the Fraud and Error Prevention Charter for 2022/2023.

3.0 Reasons for recommendation(s):

- 3.1 To ensure that the Council have robust processes in place to tackle fraud and corruption.

- 3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

- 3.3 Is the recommendation in accordance with the Council's approved budget? Yes

4.0 Other alternative options to be considered:

- 4.1 None.

5.0 Council priority:

- 5.1 The Fraud and Error Prevention Charter covers all Council priorities.

6.0 Background information

- 6.1 The Fraud and Error Prevention Charter sets out the Council's Anti-Fraud and Corruption Statement which outlines the Council's zero tolerance approach when dealing with fraud, corruption and bribery. It also outlines the fraud risk assessment and associated counter fraud programme which is based on best practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) to ensure that it takes account of emerging threats

and focuses on priority fraud risks.

The last fraud benchmarking report released by CIPFA was in 2020 which reflects fraud risk pre-pandemic. A copy has been included for information as this is a key document which informs the production of the annual Fraud and Error Prevention Charter and has not previously been reported to the Audit Committee. The Council continues to participate in the fraud benchmarking exercise and will share results with the Audit Committee when the exercise resumes post-pandemic.

- 6.2 Does the information submitted include any exempt information? No

7.0 List of Appendices:

- 7.1 Appendix 6(a) – Fraud and Error Prevention Charter 2022/2023.
Appendix 6(b) – CIPFA Fraud Tracker 2020.

8.0 Financial considerations:

- 8.1 The prevention and detection of fraud helps reduce losses faced by the Council.

9.0 Legal considerations:

- 9.1 The Fraud and Error Prevention Charter ensures that the Council follows the appropriate legal framework for fraud investigation.

10.0 Risk management considerations:

- 10.1 The plan is based on a fraud risk assessment of all Council services.

11.0 Equalities considerations:

- 11.1 The Council's Corporate Fraud and Investigations team will always act with regard to current pertinent legislation and without prejudice when executing the Council's procedures and policies. The Corporate Fraud and Investigations team will ensure that all individuals suspected of fraud, error, bribery or corruption will receive clear and understandable correspondence regarding their legal rights and informing them of all the possible outcomes of an investigation. The Council's sanction and prosecution process will not discriminate for or against any individual according to age, belief, disability, gender, gender identity, race, or sexuality.

12.0 Sustainability, climate change and environmental considerations:

- 12.1 The Fraud and Error Prevention Charter 2022/2023 does not have a direct impact on the climate change agenda.

13.0 Internal/external consultation undertaken:

- 13.1 The Corporate Fraud and Investigations team has supported the Head of Audit and Risk in the development of this Charter. As there are no key changes to legislation wider consultation with other Council services has not been undertaken this year as the key principles of the Charter remain unchanged. The Charter was considered by the Corporate Leadership Team on 15 February 2022.

14.0 Background papers:

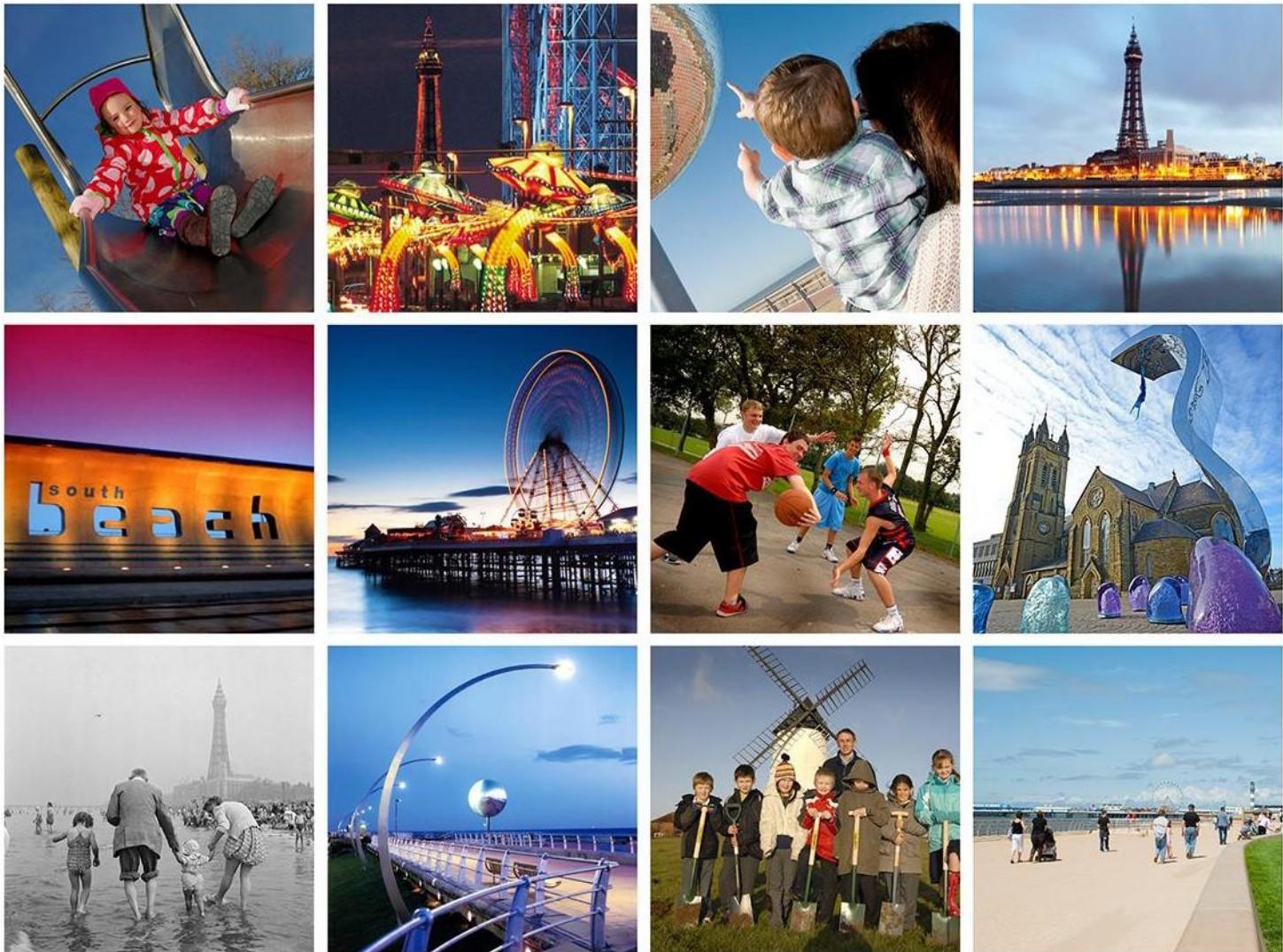
- 14.1 Local Government Association – Fighting Fraud and Corruption Locally 2020.
Cabinet Office - National Fraud Initiative Report 2020.

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Fraud and Error Prevention Charter

2022/2023

Blackpool Council



Overview

The Fraud and Error Prevention Charter sets out the Council's Anti-Fraud and Corruption Statement which outlines the Council's zero tolerance approach when dealing with fraud, error, bribery or corruption. It contains a current fraud risk assessment and associated proactive anti-fraud action plan based on best practice guidance from the Government Counter Fraud Professional Standards and the Chartered Institute of Public Finance and Accountancy (CIPFA), to ensure that the Charter takes account of current and emerging fraud threat, and focuses on identified priority fraud risks.

Fraud Prevention Strategy

The Council's strategic response for counter fraud activity is based on the principles of govern, acknowledge, prevent, pursue and protect in line with the current Fighting Fraud and Corruption Locally Strategy (2020). This consists of the following:

Govern	Acknowledge	Prevent	Pursue
Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.	Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.	Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

PROTECTING ITSELF AND ITS RESIDENTS

Recognising the harm that fraud can cause in the community.

Protecting itself and its' residents from fraud.

The Charter seeks to embed the 6 C's for effectively implementing an anti-fraud ethos throughout the Council, being:

- **Culture** – creating a culture where fraud, bribery and corruption are unacceptable.
- **Capability** – assessing the full range of fraud risks, and ensuring that the range of counter fraud measures deployed is appropriate.
- **Capacity** – deploying the right level of resources to deal with the level of fraud and error risk, and that is monitored by those charged with governance.
- **Competence** – having the right skills and standards commensurate with the full range of counter fraud, error, bribery and corruption activity.
- **Communication** – raising awareness both internally and externally, deterring fraudsters, sharing information, and celebrating success.
- **Collaboration** – working together across internal and external boundaries (with colleagues, other local authorities, and other external agencies), sharing resources, skills, learning, good practice, innovation, and information.

The above is achieved through the delivery of the following key features included in this overarching Fraud and Error Prevention Charter:

- Anti-Fraud and Corruption Statement.
- Sanctions and Prosecution Policy.
- Fraud Reporting and Measurement.
- Communication Plan.
- Fraud Risk Assessment.
- Proactive Anti-Fraud Plan.

Anti-Fraud and Corruption Statement

The purpose of this statement is to set out what to do when fraud, error, bribery or corruption is suspected or detected. It is part of the Council's overall approach to security and therefore it applies to the Council and all other parties who are given access to the Council's information and premises. It covers all personnel including substantive Council staff, freelance, casual, temporary and agency staff, contractors and elected members.

There is an expectation that all individuals, businesses and organisations dealing with the Council will act with integrity, and that Council employees at all levels will lead by example to prevent and detect fraud, error, bribery and corruption. The Council subscribes fully to the principles laid down by the Nolan Committee which include:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Legislative Framework

The Council regards fraud as being any intentional distortion of financial statements and other records to achieve inappropriate gain, cause inappropriate loss, or the misappropriation of assets. This may involve:

- Falsification or alteration of accounting records or other documents.
- Misappropriation of assets or theft.
- Suppression or omission of the effects of transactions from records or documents.
- Recording transactions which have no substance.
- Willful misrepresentations of transactions or of the Council's state of affairs.

The Fraud Act 2006 categorises fraud into three main types, namely "dishonestly intending to make a gain, or cause a loss or risk of loss by:

- Making a false representation, and/or;
- Failing to disclose information when there is a duty to do so, and/or;
- Abuse of position."

Corruption is a serious criminal offence, as set out in the Bribery Act 2010. Corruption includes the offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members, officers or employees. Some of the main areas of activity, which may be particularly susceptible to corruption include:

- Contracts and commissioning.
- Grants.
- Asset disposal.
- Planning consents.
- Licenses and other approvals.

The Bribery Act 2010 has established 4 offences:

- Offering, promising or giving a bribe.
- Requesting, receiving or accepting a bribe (whether directly or through a third party).

- Bribery a foreign public official.
- The failure of a commercial organisation to prevent bribery.

The Council will at all times, whilst conducting investigations, utilise and comply with the requirements of appropriate legislation including:

- The Fraud Act 2006.
- The Bribery Act 2010.
- The Police and Criminal Evidence Act 1984 (PACE).
- The Theft Acts of 1968 and 1978.
- Criminal Procedures and Investigations Act 1996.
- Data Protection Act 2018.
- The Computer Misuse Act 1990.
- The Regulation of Investigatory Powers Act 2000.
- Investigatory Powers Act 2016.
- The Criminal Justice Act 2003.
- Proceeds of Crime Act 2002 (POCA).
- Serious Crime Act 2015.
- The Public Interest Disclosure Act 1998 (Whistleblowing).
- The Human Rights Act 1998.
- The Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000.
- The Freedom of Information Act 2000.
- Government Security Classifications.

Roles and Responsibilities

Council employees are expected to abide by the National and Local Conditions of Service relating to their employment, which include conduct issues. Employees are also expected to follow any code of conduct related to their profession where these require a further duty of care.

Council members are required to comply with a Code of Conduct, which provides guidance to members on recommended standards of conduct in carrying out their duties and in their relationships with the Council and Council officers.

All members and employees are required to declare any offer or receipt of gifts or hospitality that are in any way related to their relationship with the Council. A hospitality register is maintained of all declarations. A register is also maintained for officers to declare any business or related interests, membership of or associations with clubs, societies and other organisations.

The Council's Constitution governs the way the Council conducts its activities and places an obligation on all members and employees to act in accordance with procedures, rules, responsibilities, functions and supporting Financial Regulations.

Council senior management has a role in ensuring that the Council takes adequate steps to safeguard against the risk of fraud, error, bribery and corruption.

The Corporate Leadership Team must ensure that all staff have access to these rules and regulations, and that staff receive suitable training where appropriate. Members and employees must make sure that they read, understand and comply with the rules and regulations that apply to them.

Should any person knowingly break the rules and regulations then the Council may take formal action.

It is the responsibility of all staff to be alert to any potential occurrences of fraud, error, bribery or corruption and to be aware that unusual events, transactions or behaviours that could be indications of fraud (or attempted fraud) and corrupt practices. Fraud, error, bribery and corruption may also be highlighted as a result of specific management and/or third party checks, or in the course of audit reviews by both internal and external audit.

Service managers are responsible for maintaining an adequate framework of internal control to minimise potential losses by the Council. The Audit and Risk Team is available to provide advice and assistance in this area, but service management retains responsibility for preventing and highlighting possible fraudulent and corrupt activity.

Any suspicion of fraud will be taken seriously. If you have a reasonable suspicion of fraud, error, bribery, corruption, theft or irregularity you must immediately report it to either the Head of Audit and Risk or the Senior Counter Fraud Advisor. It is important to remember that it is better to be proved wrong over genuine concerns than not to report those concerns and be proved right should fraud or error subsequently be discovered.

Concerns should be reported to:

- Head of Service or Director.
- The Head of Audit and Risk.
- The Corporate Fraud and Investigations Team.
- Via the Council Whistleblowing Policy and Procedure.

When a member of staff reports suspicions, their information will be taken seriously and dealt with in a considerate way. Officers receiving the information should report it to the Head of Audit and Risk or Senior Counter Fraud Advisor as soon as possible so that a decision can be made about the need for an investigation.

Confidentiality for all parties will be maintained over reports made in good faith which cannot be substantiated following investigation. An anonymous disclosure cannot be made under the Public Interest Disclosure Act 1998 (the 'Whistleblowing Act'); staff must identify themselves to receive protection under the Act.

Employees **must not** do any of the following:

- Contact the suspected individual(s) in an attempt to determine facts or demand restitution.
- Discuss the case facts, suspicions, or allegations with anyone outside the Council (including the press) unless specifically asked to do so by the Head of Audit and Risk or Senior Counter Fraud Advisor.
- Discuss the case with anyone within the Council other than the people listed above.
- Seize, or attempt to seize, any paperwork or other evidence.

All fraud, error, bribery and corruption investigations should be discussed at the outset with the Head of Audit and Risk or Senior Counter Fraud Advisor to ensure appropriate procedures are followed and any necessary support is provided.

You must not attempt to personally conduct investigations, interviews or question anyone, unless specifically asked to do so by the investigation team.

Investigation results will not be disclosed to, or discussed with, anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputation of persons subsequently found innocent of alleged wrongful conduct, and to protect the Council from any potential civil liability.

In cases where an individual is suspected of fraud, and where a subsequent investigation does not substantiate the allegation, it is important that the potential damage to the individual's reputation is minimised.

Any necessary investigative activity will be conducted without regard to any person's relationship to the Council, position, or length of service.

Investigations will be carried out by the Corporate Fraud and Investigations Team, Head of Audit and Risk, or an officer who is independent of the service, and will be conducted with discretion and sensitivity.

On completion of the investigation, a written report will be prepared stating the facts established by the investigation. Whenever possible, the Council will take action against all perpetrators of fraud, error, bribery or corruption, whether internal or external to the authority, as set out in the Sanctions and Prosecution Policy.

During the course of investigations, it may be necessary to involve the police for other reasons, e.g. to take forensic evidence or to search premises. In all instances, only the investigating team should instigate contact with the police.

Where fraud, error, bribery or corruption have occurred management must take all necessary steps to amend systems and procedures to ensure that similar frauds or corrupt practices do not recur. The investigation may highlight where there has been a failure of supervision or a breakdown/absence of control. Internal Audit is available to offer advice and assistance on matters relating to internal control, if considered appropriate.

Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained, and the recovery of costs will be sought from any individual(s) responsible for fraud or corruption.

Sanctions and Prosecution Policy

It is recognised that fraud is potentially costly to the Council both in terms of reputational risk and financial loss. Where fraud, bribery or corruption is proven, those persons/organisations responsible must understand that potential action will follow in line with this policy.

The individual circumstances of instances of fraud, error, bribery and corruption will vary, but the Council's response will be effective, organised and consistent with the principles laid down in current guidance, relevant legislation and the Fraud and Error Prevention Charter.

Irrespective of potential sanctions, all investigations will be conducted to the highest possible standard to ensure that the option of the full range of potential sanctions remains available for any appropriate cases.

Where a referral to the Corporate Fraud and Investigations Team is investigated and fraud, error, bribery or corruption has been identified and quantified, the Council will instigate appropriate punitive action against the individuals or organisations involved, and steps will be taken to recover any monies lost. In addition, the Council will pursue all appropriate sanctions as a deterrent measure against those who may consider committing fraud, bribery or corruption to misappropriate public funds. In instances where fraud, error, bribery or corruption is proven, it is important that the Council has a clear policy in place to ensure that appropriate sanctions are applied, in a consistent manner.

This Policy sets out the Council's approach in respect of the sanctions to be applied against those individuals and/or organisations who have committed fraud, error, bribery or corruption against the Authority, and the steps to be taken to recover any monies which have been lost as a result.

There are five main sanctions which are available to the Council. Each sanction plays an equally important role in the creation and maintenance of an anti-fraud culture. The potential sanctions are as follows:

- Criminal Prosecution – proceedings brought against alleged offenders with a view to obtaining a criminal conviction, imprisonment, community penalty, fine, confiscation or compensation order, and the award of costs.
- Civil Action – proceedings to preserve assets and/or recover monies or assets obtained inappropriately, including costs and interest.
- Financial Penalties – where legislation allows the Council to impose financial penalties on an individual as an alternative to criminal prosecution.
- Internal disciplinary action – where action is taken to deal with the issue internally via the Council's Disciplinary Procedure.
- Professional / Regulatory Body action - where an individual is a professional, it may also be necessary to notify their professional or regulatory body for the matter to be dealt with externally by the relevant body.

The Council's approach to pursuing sanctions in cases of fraud, error, bribery or corruption is that the full range of possible sanctions outlined above are considered at the earliest opportunity, and throughout an investigation, and any or all of these may be pursued where and when appropriate. The consistent use of an appropriate combination of investigative processes and sanctions in each individual case demonstrates the Council's commitment to take fraud, error, bribery and corruption seriously and ultimately contributes to the deterrence and prevention of such actions in the future. All steps to recover funds lost to fraud, error, bribery or corruption will be sought in all appropriate cases.

In all proven cases of fraud, error, bribery or corruption, Local Authorities are expected to actively consider applying an appropriate sanction or prosecution. When considering whether it is appropriate to seek punitive sanctions against an individual suspected of fraud, error, bribery or corruption, the Council's Corporate Fraud and Investigations Team will firstly consider if there is sufficient admissible evidence to provide a realistic prospect of applying any such sanction successfully. The following factors are to be considered:

- The availability of any documents that have been submitted without disclosure of material fact.
- Whether the parties involved have been given adequate opportunity to advise of the relevant details.
- The period of the proven fraud, bribery or corruption.
- Statements and evidence provided by the parties involved during the period of the investigation, including

- any voluntary disclosures.
- The availability of other reliable evidence.

It should be noted that voluntary disclosure only occurs when a claimant, of his or her own free will, reveals a fraud of which the Council were previously unaware. Disclosure will not be deemed voluntary when, for example, information obtained during normal verification procedures have solicited or prompted the disclosure in some way.

Criminal Prosecution

When an investigation has revealed it is evidentially viable, the Corporate Fraud and Investigations Team will consider if a recommendation to prosecute is in the public interest, taking into consideration the following factors (not all the factors will apply to each case, and there is no obligation to restrict consideration to the factors listed):

- The seriousness of the offence.
- Whether the offence is planned or systematic.
- Whether more than one person is involved.
- Previous history of the individual(s) and the likelihood of recurring conduct.
- Whether the fraud, error, bribery or corruption is widespread and/or prevalent.
- The age, physical and mental health of the parties involved (official written confirmation of relevant details may be sought from an appropriate medical professional).
- Social factors, for example the investigating officer may take the view that the individual(s) may have committed the alleged fraud because of a stressful domestic situation. In the majority of such cases, it is likely to recommend that a prosecution be pursued, and any factors such as these may be put to the court for consideration.
- Obstruction or lack of co-operation with the investigation on the part of the individual(s) involved.
- The individual(s) is a persistent offender.
- Where the individual(s) has failed to attend an interview to give their account of the facts.
- The period and value of the offence.
- Where the individual(s) has refused an official Penalty.
- Where the individual(s) involved in the fraud was in a position of trust, for example a member of staff.
- Where the prosecution may have a significant deterrent effect.
- Whether there have been any failings in Council administration processes that can be attributed to official error, this also includes unreasonable delays.
- Whether a prosecution will assist in the applying of other disciplinary or professional sanctions and the recovery of Council funds.

The advantages of criminal prosecution include the prospect of it potentially securing the co-operation of the alleged fraudster, repayment of the sums defrauded, and a general deterrent effect that can be created.

Potential barriers include a lack of willingness for the Crown Prosecution Service to pursue the case, the complexities associated with disclosure rules, the delays sometimes involved in pursuing criminal investigations and the challenges involved in securing compensation.

The Corporate Fraud and Investigations Team will submit the completed case file to the Head of Audit and Risk, who will decide which further recommended action is appropriate, or whether to close the case. The final decision to recommend a case for prosecution will be made by the Head of Audit and Risk. This person should be satisfied that the investigation has been undertaken in an appropriate manner and that any decisions regarding sanctions takes into account the public interest test.

Cases that are deemed suitable for potential prosecution will be referred to the Council's Legal Services or the Crown Prosecution Service as appropriate, who will consider and review the recommendation to prosecute in accordance with the criteria set down in the Code of Conduct for Crown Prosecutions.

Civil Action

The Council is committed to take all necessary steps to recover any monies which have been lost as a result of fraud, error, bribery or corruption. Such steps will include consideration being given to obtaining voluntary repayment, negotiated settlements, obtaining compensation upon conviction (if applicable), or commencing civil proceedings

under Part 5 of the Proceeds of Crime Act 2002.

If, during an investigation, there is evidence to show that the Council has suffered a significant financial loss, or that monies or other assets have been fraudulently misappropriated, it may be appropriate that applications need to be made to the civil courts for injunctive relief (e.g. freezing orders, restraint orders, or search orders) to preserve the proceeds of the fraud. In such circumstances the Corporate Fraud and Investigations Team will notify the Head of Audit and Risk. This may result in recovery action commencing whilst the investigation continues.

Decisions regarding the most appropriate and proportionate method of protecting or recovering monies lost to fraud, error, bribery or corruption will be made following consultation between the Corporate Fraud and Investigations Team, the Head of Audit and Risk, and the Council Legal Services Team at the earliest opportunity. In any instances concerning the need for civil recovery proceedings to be commenced, the Corporate Fraud and Investigations Team will seek immediate advice from the Council's Legal Services Team. Costs associated with the recovery will be included in the claim submitted to the Court.

Penalties as an alternative to prosecution

Whilst recommending the pursuit of a criminal prosecution is an option for all fraud, bribery and corruption offences (as provided for by the Fraud Act 2006 and Bribery Act 2010), specific alternatives for consideration are available to the Council in the following instances:

Council Tax Reduction Scheme

From the 1 April 2013, Regulation 11 of the Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013, introduced financial penalties as an alternative to prosecution.

A Council Tax Reduction penalty is intended to be a meaningful deterrent and can only be considered where there is sufficient evidence to justify instituting criminal proceedings. Any person who agrees to pay a penalty may withdraw the agreement within 14 days by notifying the billing authority.

A Council Tax Reduction penalty is the offer to a person to pay a financial penalty. The amount of the penalty is to be 50% of the amount of the excess reduction, subject to:

- A minimum amount of £100; and
- A maximum amount of £1,000.

The decision to offer a Council Tax Reduction penalty will be made by the Head of Audit and Risk after consultation with the Corporate Fraud and Investigations Team.

In this instance, a separate Council Tax Reduction penalty interview will be undertaken by a member of the Corporate Fraud and Investigations Team, provided they have not dealt with any part of the investigation in relation to the case.

If a person declines or withdraws any acceptance of a Council Tax Reduction penalty, legal proceedings will be considered in all cases.

Council Tax –Discounts

Schedule 3 of the Local Government Finance Act 1992 details that a £70 penalty can be imposed on individuals who fail to supply information or notify a billing authority of any changes in respect of their eligibility to claim a discount on their Council Tax liability. The decision to impose a Council Tax discount penalty will be made by the Head of Audit and Risk after consultation with the Corporate Fraud and Investigations Team.

Blue Badge Offences

The Blue Badge (Disabled Persons' Parking Scheme) was introduced under Section 21 of the Chronically Sick and Disabled Person's Act 1970. There is a wide range of legislation available to the Council in enforcing the Scheme, although the Council can be flexible in how these powers are used to address local circumstances and the merits of each case.

As an alternative to prosecution, simple misuse of a valid badge can be countered by the issue of a Penalty Charge

Notice for any parking contravention. The decision to impose a penalty charge in such circumstances will be made by the Civil Enforcement Officers.

Other offences, including fraudulent applications, using an expired, illegible, lost, stolen badge, or a badge which they are not entitled to use, should be referred to the Corporate Fraud and Investigations Team for further investigation. In such cases, the relevant applicable sanction will be decided at the conclusion of the investigation.

Disciplinary Offences

In situations where the alleged offender is an employee, an investigation will be conducted in accordance with the Council's Disciplinary Procedures in the first instance. The sanctions provided for by these procedures range from various levels of written warning through to dismissal.

Decisions at all stages relating to internal disciplinary matters are fully documented within the Council's Disciplinary Procedures and will be adhered to as part of this Policy.

Where an employee is a full or accredited member of a professional or regulatory body, a decision will be taken by the Head of Audit and Risk, in conjunction with HR, on review of the completed case file, as to whether to make a referral to the relevant body, for their consideration for further punitive action.

Parallel Sanctions

The application of a criminal, civil, penalty, disciplinary or professional process may not be a stand-alone sanction.

There is no universal template for the application of sanctions in every case of proven fraud, error, bribery or corruption. In each individual case, it will be necessary to consider the full range of possible sanctions at the earliest opportunity and to review this on an on-going basis. The Council aims to combat fraud, error, bribery or corruption by considering all possible available sanctions, without any one potential sanction excluding or detrimentally affecting any other.

Investigations will be conducted so as to ensure the widest possible range of sanctions are considered and remain available throughout. Investigations will be fully completed before any decision is made on the imposition of a specific, or combination of, appropriate sanctions to be applied.

It is not unusual for sanctions be applied concurrently and to overlap. For example, where an employee is being investigated with a view to pursuing criminal proceedings, they may also simultaneously be the subject of disciplinary and professional sanctions arising out of the same set of circumstances. These investigations may be conducted separately, but it is important to ensure that one process does not compromise or undermine the other, and that interaction between the investigating officers and Human Resources is effective, lawful and appropriate.

It is often argued that disciplinary and civil proceedings should be delayed pending the outcome of any criminal proceedings, on the grounds that to do otherwise may prejudice the individual concerned in some way. Arguments may be raised about a breach of human rights, particularly the right to a fair trial, and the potential for abuse of process. However, there is nothing to prevent a disciplinary process being commenced in circumstances where criminal charges are also being considered, or where a criminal investigation is in progress - as long as the process is conducted fairly, is in accordance with the Council's Disciplinary procedure, and the approach to collating the evidence does not compromise or either investigation.

During a disciplinary investigation an employee can choose not to answer questions, but in the interests of acting fairly and reasonably they will be informed that the matter may be referred to the Corporate Fraud and Investigations Team or the police for criminal investigation and that criminal proceedings may result. Under no circumstances will the impression be given to an employee that prosecution can be avoided if they elect to answer questions and co-operate during the disciplinary process. Where during a disciplinary process, it becomes apparent that a fraudulent or erroneous matter may be emerging, the situation will be reported to the Corporate Fraud and Investigations Team or Head of Audit and Risk immediately, and it may become necessary to suspend the disciplinary proceedings.

Where an employee has been subject to disciplinary and/or civil proceedings, this does not exclude them from criminal or civil prosecution, and vice-versa.

The advantages of this parallel approach to applying sanctions includes its flexibility, and the potential promotion of potential deterrent messages.

The Council recognises that criminal and disciplinary investigations have different purposes, have different standards of proof in determining guilt, are governed by different rules, and have different outcomes, and therefore it is important that the integrity of both processes is maintained in relation to the way evidence is gathered and maintained.

As a result, where parallel sanctions are pursued, the Corporate Fraud and Investigations Team will ensure close liaison with the appointed Investigating Officers and Human Resources regarding appropriate sharing of information, avoiding duplication of effort, and to ensure that neither the evidence nor the case as a whole is compromised.

Where evidence of fraud, error, bribery or corruption exists following an investigation, it is therefore considered inappropriate to hold any available sanction in abeyance, whilst waiting for another sanction to proceed to conclusion.

Applying Sanctions Consistently

Each available sanction plays an equally important role in the creation and maintenance of a zero tolerance anti-fraud culture, which is achieved through deterrence, prevention, detection and investigation.

The consistent use of an appropriate combination of sanctions, based on the individual merits of each case, is essential for the efficient investigation and prevention of fraud, error, bribery and corruption within the Council.

Where evidence of fraud, error, bribery or corruption is found, fully informed and proportionate decisions will be made consistently throughout and at the conclusion of the investigation, based on evidence obtained, in order to recommend the most appropriate sanction(s) to be applied against the individual(s) concerned.

Equalities Statement

The Council's Corporate Fraud and Investigations Team will always act with regard to current pertinent legislation and without prejudice when executing the Council's procedures and policies.

The Corporate Fraud and Investigations Team will ensure that all individuals suspected of fraud, error, bribery or corruption will receive clear and understandable correspondence regarding their legal rights and informing them of all the possible outcomes of an investigation.

The Council's sanction and prosecution process will not discriminate for or against any individual according to age, belief, disability, gender, gender identity, race, or sexuality.

Communication

The importance of effective communication is recognised as being an integral part of ensuring that raising fraud awareness (both internally to employees, and externally to the local community) is of the upmost importance in ensuring that the Council's zero tolerance approach to fraud, error, bribery and corruption is upheld.

Adequate and effective communication to both internal and external audiences is viewed as being a key element in ensuring that quality referrals regarding suspected fraudulent acts against the Council are received from both internal and external sources. Publicising successfully investigated cases both internally and externally can also act as a deterrent to prospective fraudsters.

To ensure that these key messages are conveyed and reinforced, it has been identified that the counter fraud presence, on both the internal Intranet and external Council website, are in need of updating.

Whilst both sites contain the necessary links to report suspected fraud, navigating to these links is somewhat onerous. Enhancements to the current content are also required to improve fraud awareness, and its potential impact on the Council.

The Corporate Fraud and Investigations Team is currently undergoing the necessary training, and working with the Communications Team, to enhance our presence on the internal Intranet 'Sharepoint' site. This will ensure that all employees will have easier access to current information in order to remain fraud aware, and to report any suspicions via the appropriate channels.

Improvements to our external communication streams have also commenced. A work programme is underway to create more easily accessible fraud prevention pages on the Council's external website. Additional external

communication streams (i.e. 'Your Blackpool' - both electronic and paper versions, officially released Social Media posts, and the local press), will direct our residents to information in respect of raising awareness and making quality referrals..

Fraud Reporting and Measurement

To ensure transparency, the activity of the Corporate Fraud and Investigations Team is reported to the Audit Committee as part of the Audit and Risk Services Quarterly Report.

The way in which the fraud statistics will be reported for 2022/23 will be slightly different than in previous years to reflect current categories of fraud risk. The data will also combine the fraud and error overall totals for proactive and reactive work to give a clearer indication of success. An example of the table which will be used to report fraud and error statistics from April 2022 onwards can be seen in [Appendix 1](#).

Resource

The Corporate Fraud and Investigations Team is managed by the Head of Audit and Risk and comprises of four officers. This includes a bespoke role to undertake impartial internal disciplinary and grievance investigations, ensuring Council processes are applied in a fair and timely manner.

Fraud Risk Management

A fraud risk assessment has been undertaken in order to assess the fraud risks faced by the Council, to inform the proactive anti-fraud work plan, and the resources needed to address any issues arising therefrom. This assessment is based on a combination of the Government Counter Fraud Professional Standards and Guidance, the outcomes of the latest CIPFA Fraud and Corruption Tracker, and local and operational knowledge of the organisation. A copy of the fraud risk assessment can be seen in [Appendix 2](#).

Proactive Anti-Fraud Action Plan

The below table sets out the priorities for proactive anti-fraud work during 2022/23 which have been informed by the fraud risk assessment. Delivery of the proactive anti-fraud action plan may be affected by the need to respond to reactive fraud and error referrals, as and when they arise. Additionally, in peak times, there may be limited capacity to undertake investigations into all reactive referrals. As a result, referrals received are risk assessed and prioritised accordingly. Consequently, the investigation of some cases may be delayed.

Action	Lead	Target Date
Fully participate in the National Fraud Initiative 2020/21 exercise, ensuring all high risk data matches are investigated and pursuing all areas relating to Council Tax data matches.	Corporate Fraud and Investigations Team	October 2022
Undertake the mandatory post-payment assurance exercise in respect of paid Covid-19 Business Grants, by use of National Fraud Initiative data matches.	Corporate Fraud and Investigations Team	December 2022
Develop the use of IDEA software within Corporate Fraud and Investigations Team to enable targeting proactive resources for fraud and error testing including creditors, council tax and business rates.	Corporate Fraud and Investigations Team	March 2023
Completion of the competency assessments contained within the Government Counter Fraud Professional Standards to identify potential areas of future personal development for staff.	Corporate Fraud and Investigations Team	June 2022

Produce an internal Corporate Fraud and Investigations procedure manual including how joint work is undertaken with the Police, DWP and other local authorities.	Corporate Fraud and Investigations Team	September 2022
Continued participation in the cross-departmental supported housing project to ensure due diligence is undertaken on prospective providers and that good quality, value for money accommodation is provided.	Corporate Fraud and Investigations Team	March 2023
Continued working with the Communications Team to develop and implement a strategy for improved access to fraud communications for both employees and the local community.	Corporate Fraud and Investigations Team	June 2022

Appendix 1 –Fraud Reporting and Measurement Table

CORPORATE FRAUD AND ERROR STATISTICS 20XX/20XX	Cases Brought Forward - 20XX/20XX	REFERRALS RECEIVED				CASE CLOSURES				Total Value of Fraud / Error Proven	ACTION TAKEN ON CLOSED CASES				Number of Cases Under Investigation	
		Internal	External	NFI	Total Referrals Received	Fraud Proven			Error Proven			No Further Action	Recommendation	Administrative Penalty Imposed	Disciplinary	
						Internal	External	NFI	Internal	External	NFI					
TYPE OF FRAUD																
Council Tax - Single Person Discount																
Council Tax - Council Tax Reduction																
Housing Benefit Claims																
Housing Tenants																
Payroll																
Business Rates																
Procurement																
Insurance Claims																
Social Care																
Abuse of Position - Financial Gain																
Abuse of Position - Manipulation of Data																
General Financial Fraud																
Blue Badge Parking/Travel Concessions/Resident Parking																
Housing / Right to Buy																
TOTALS																

Appendix 2 –Fraud Risk Assessment 2022/23

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
Cyber	5	5	25	<ul style="list-style-type: none"> Robust ICT policies in place. Software and hardware solutions implemented as required. Ability for the team to ‘buy-in’ specialist computer audit support where necessary. Good working relationship between the Corporate Fraud and Investigations Team and ICT. 	5	4	20	<ul style="list-style-type: none"> Implementation of the actions identified as part of the Strategic Risk Register. 	Head of ICT
Council Tax	4	5	20	<ul style="list-style-type: none"> Participation in the NFI data matching exercise. Pre-employment checks undertaken to confirm debt and exemption status. Process in place to enable the Council Tax Team and the public to make referrals of suspected fraud to the Corporate Fraud and Investigations Team. 	4	4	16	<ul style="list-style-type: none"> Fully participate in the National Fraud Initiative 20/21 exercise pursuing all areas relating to Council Tax data matches. Develop a proactive exercise to identify any potential issues relating to existing employees Council Tax accounts. 	Corporate Fraud and Investigations Team
Procurement and Creditors	5	5	25	<ul style="list-style-type: none"> Six-monthly purchase card transaction report issued to Chief Officers by the Corporate Fraud and Investigations Team to obtain assurance on expenditure. A cyclical programme of internal audits focusing on 	4	4	16	<ul style="list-style-type: none"> Develop a programme of exception testing on creditor transactions to gain assurance that transactions undertaken are appropriate. 	Corporate Fraud and Investigations Team

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				<p>the key financial controls.</p> <ul style="list-style-type: none"> Effective procurement controls in place to reduce the risk of a non-competitive market place. Segregation of duties in place enforced by system controls. Corporate creditors function to ensure consistent application of controls. Participation in the 2020 NFI data matching exercise. 					
Business Support and Local Discretionary Grant payments	4	5	20	<ul style="list-style-type: none"> Separate Fraud Risk Assessment and Post Event Assurance documents in place. Local pre-payment checks undertaken on applications to verify business trading and bank account status. Programme of post payment assurance undertaken. An independent audit review undertaken during 2021/22. 	4	4	16	<ul style="list-style-type: none"> Mandatory Post payment assurance exercise to be completed using National Fraud Initiative data matches. 	Corporate Fraud and Investigations Team
Lack of capacity to proactively deal with corporate fraud and investigations	5	4	20	<ul style="list-style-type: none"> Qualified Corporate Fraud and Investigations Team in place. The Corporate Fraud and Investigations Team and Internal Audit Team report to the same Head of Service therefore facilitating the effective sharing of intelligence. Risk assessment of all 	4	4	16	<ul style="list-style-type: none"> Develop the use of IDEA file interrogation software within Corporate Fraud and Investigations Team to enable targeting proactive resources for fraud and error testing. Pursue further opportunities for partnership working. Completion of the individual competency assessments contained within the 	Corporate Fraud and Investigations Team

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				<p>referrals received to enable resource to be appropriately targeted.</p> <ul style="list-style-type: none"> Attendance at the Lancashire and Greater Manchester Fraud Investigators Group to share best practice to help develop internal practices and procedures. Participation in the National Fraud Initiative which enables data sharing across a number of public bodies, therefore helping to focus resource appropriately. Implemented joint working with the DWP on council tax/ benefit fraud investigation. Continued membership with National Anti-Fraud Network (NAFN). 				<p>Government Counter Fraud Professional Standards to identify potential areas of future development.</p> <ul style="list-style-type: none"> Produce an internal Corporate Fraud and Investigations procedure manual. 	
Housing and Tenancy	4	5	20	<ul style="list-style-type: none"> Assurances from Blackpool Coastal Housing that adequate controls are in place to identify potential fraudulent activity. Participation in the NFI exercise which covers social housing fraud. 	4	4	16	<ul style="list-style-type: none"> Continued participation in the cross-departmental supported housing project to ensure due diligence is undertaken on prospective providers and that good quality, value for money accommodation is provided. 	Corporate Fraud and Investigations Team

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
Lack of fraud awareness by employees and residents	4	4	16	<ul style="list-style-type: none"> Roll out of iPool fraud awareness course to all employees identified as mandatory. Fraud Awareness course completion rates monitored and reported upon (currently at 90%). Ability for residents to easily refer suspicions of fraud and error via www.blackpool.gov.uk/Your-Council/Have-your-say/Corporate-fraud.aspx. 	4	4	16	<ul style="list-style-type: none"> Closer working with the Communications Team to develop and implement a strategy for improved access to fraud communications for both employees and the local community. 	Corporate Fraud and Investigations Team
Business Rates	4	4	16	<ul style="list-style-type: none"> Procedures in place within the Revenue Service to prevent fraud. 	4	3	12	<ul style="list-style-type: none"> Liaison with the Head of Revenues, Benefits and Customer Services to identify further opportunities to mitigate fraud risk in relation to Business Rates. 	Corporate Fraud and Investigations Team
Money Laundering	4	4	16	<ul style="list-style-type: none"> Anti-Money Laundering Policy in place. Anti-Money Laundering iPool course available to all employees. Designated Money Laundering Reporting Officer and Deputy Money Laundering Officer in post. Controls in place and due diligence undertaken by Business Loans Fund 	4	2	8		Head of Audit and Risk

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				Panel.					
Disabled Parking	4	4	16	<ul style="list-style-type: none"> Links in place between the Corporate Fraud and Investigations Team, Civil Enforcement Officers and Customer First. Participation in the NFI data matching exercise. A programme of proactive exercises undertaken including the Civil Enforcement Officers and Corporate Fraud and Investigations Team. 	4	2	8		Parking Services Manager
Insurance	4	4	16	<ul style="list-style-type: none"> Participation in the highways risk management group. Established relationships between corporate fraud, legal services and highways. Reduced numbers of referrals received. 	4	2	8		Head of Legal Services

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Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
Inability to recover losses incurred due to fraud	4	4	16	<ul style="list-style-type: none"> Pursue civil, disciplinary and criminal sanctions. Identify and recover all losses identified during the investigation process and recovery action sought through Proceeds of Crime Act (POCA), insurance, payroll and legal means. Prosecution Policy in place. 	4	2	8		Corporate Fraud and Investigations Team
Social Care	4	4	16	<ul style="list-style-type: none"> Specific fraud awareness training delivered to the Direct Payments Team. Developed links with staff in Adult Services to facilitate the effective sharing of information relating to potential fraud. Work undertaken with the Direct Payments Team to 'fraud proof' processes. 	4	2	8		Head of Social Care

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
Payroll, Recruitment and Pension	4	4	16	<ul style="list-style-type: none"> A cyclical programme of internal audits focusing on the key financial controls. Participation in the NFI data matching exercise. A suite of exception reports configured in the payroll system which are checked by payroll clerks on a monthly basis. A suite of forms / eforms which require management authorisation before posts can be created / changes to posts actioned. Segregation of duties between the HR and payroll teams and through the use of the Local Government Pension Scheme. Procedures in place to ensure that Recruiting Managers and HR undertake appropriate due diligence prior to appointing a new employee. DBS checking process in place. 	4	2	8		Exchequer Services Manager / Head of HR and Organisational Development
Manipulation of Data (financial and non-financial)	4	3	12	<ul style="list-style-type: none"> Annual internal audit and external audit programmes undertaken. Performance management reporting in place. 	4	2	8		Head of Accountancy

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
Investments	4	3	12	<ul style="list-style-type: none"> • Treasury Management Panel in place. • Business Loans Fund Panel in place. • External audit arrangements in place. • Internal audits undertaken in this area. 	4	2	8		Head of Accountancy

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Fraud and corruption tracker

National Report 2020



CIPFA COUNTER
FRAUD CENTRE

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Foreword

The signature of Rob Whiteman, written in cursive ink.

Rob Whiteman
Chief Executive, CIPFA

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

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

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

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

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

The survey was supported by:

**Fighting
Fraud &
Corruption**
LOCALLY

Local Government Association

The CIPFA Counter Fraud Centre

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

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



Acknowledgements

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

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

Introduction

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

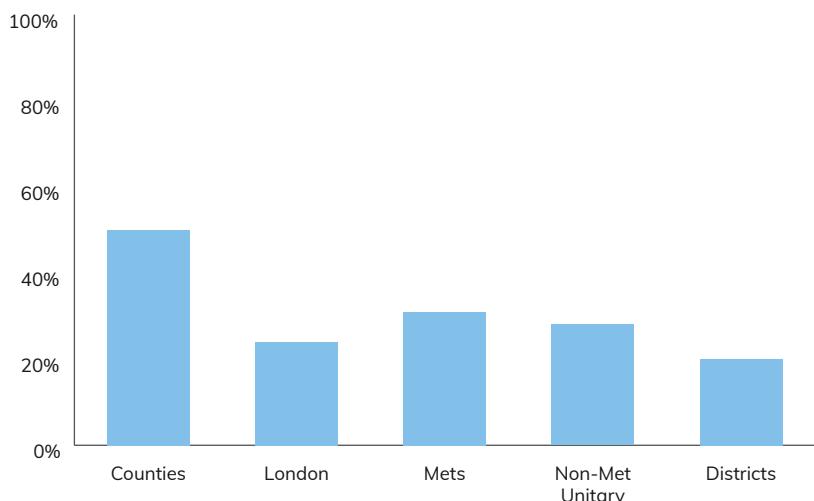
Fraud is a prevalent cause of concern in the public sector and continues to pose financial threats to local authorities. CIPFA's partners, such as the LGA, the NAO and Home Office, work towards new ways of finding solutions to the challenges that the public sector faces.

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

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

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

Response rate



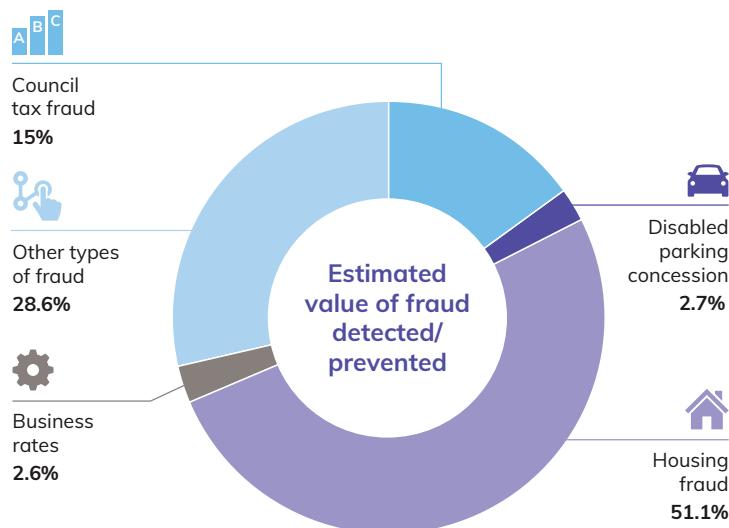
occurred. To enable comparisons with previous years' data, for consistency and the volumes mentioned refer to the number of cases proven to be fraudulent.

This report highlights the following:

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

Executive summary

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

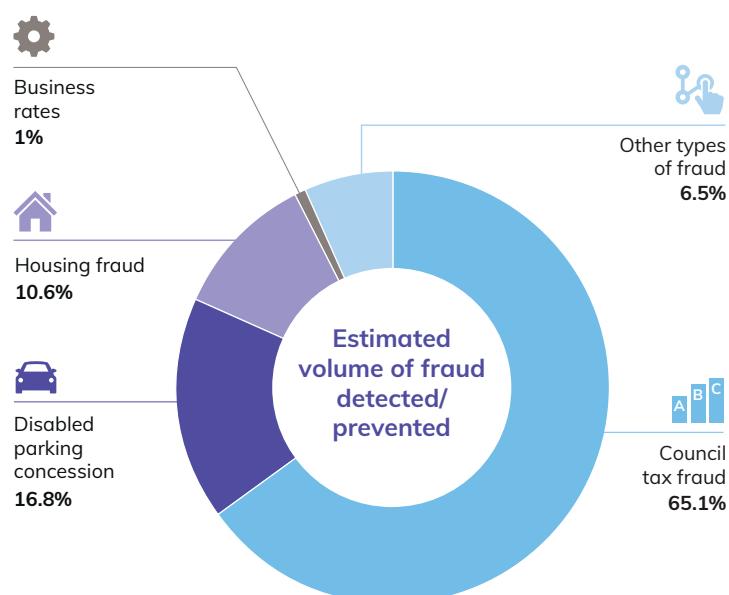


Councils reported that approximately 47,000 instances of fraud had been detected or prevented in 2019/20, which is lower than the approximation of 71,000 reported by CIPFA in 2018/19. Council tax fraud represents almost two thirds (65%) of these identified instances of fraud with an estimated value of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

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

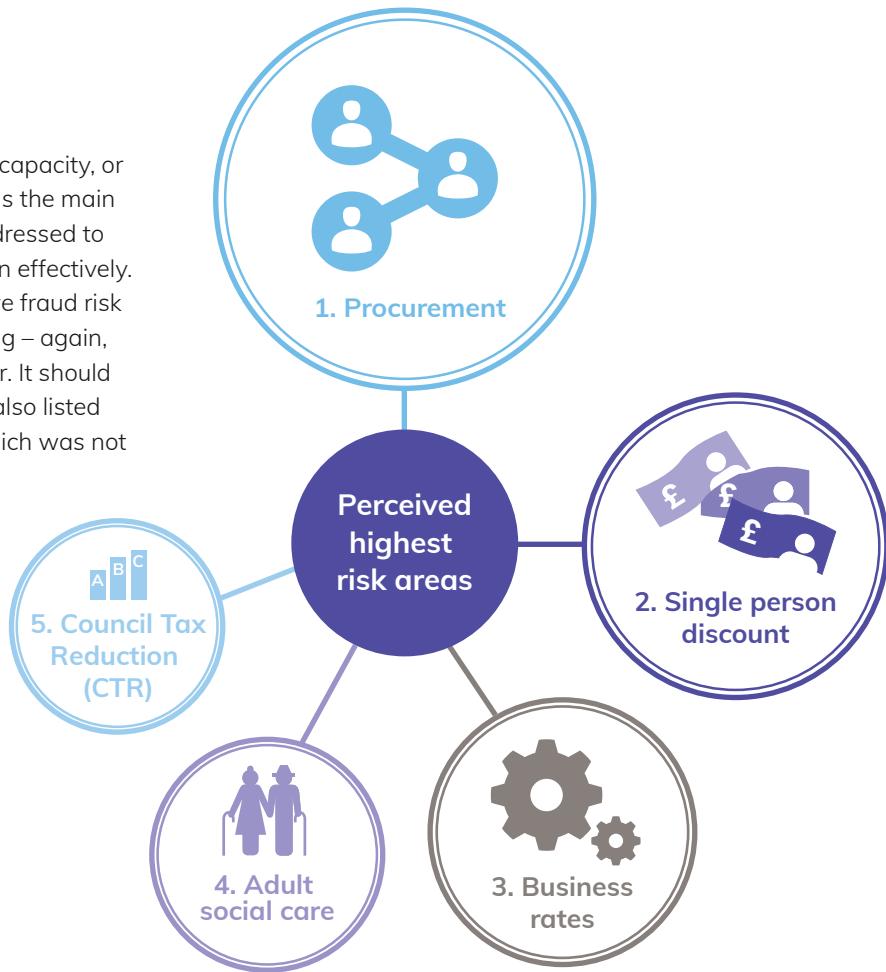
The largest growing fraud area is housing tenancy (other), with an estimated £60.1m lost in 2019/20 compared to £47.7m in 2018/19. This is followed by council tax single person discount (SPD) which has an estimated increase of £9.6m to an estimated value of £29.0m for cases detected/prevented in 2018/19.

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



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

Results from respondents indicate that they expect to increase the number of counter fraud specialist staff by 5% in 2021.



Major fraud areas

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

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

Council tax

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

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

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

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

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

Estimated council tax fraud

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

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



Disabled parking (Blue Badge)

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

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



Housing and tenancy fraud

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

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

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

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

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

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

Estimated housing fraud

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

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



Business rates

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

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

Other types of fraud

This part of the report examines the survey responses related to other notable frauds that did not emerge as major types of fraud within the national picture. This section includes the following fraud types:

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



Adult social care

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

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

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

Estimated adult social care fraud

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

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



Insurance fraud

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

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

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

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



Procurement fraud

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

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

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

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

Estimated procurement fraud

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

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



Welfare assistance and no recourse to public funds

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

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

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



Economic and voluntary sector support and debt

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

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



Payroll, expenses, recruitment and pension

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

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

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

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

Estimated fraud

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

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



Mandate and grant fraud

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

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

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

Serious and organised crime

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

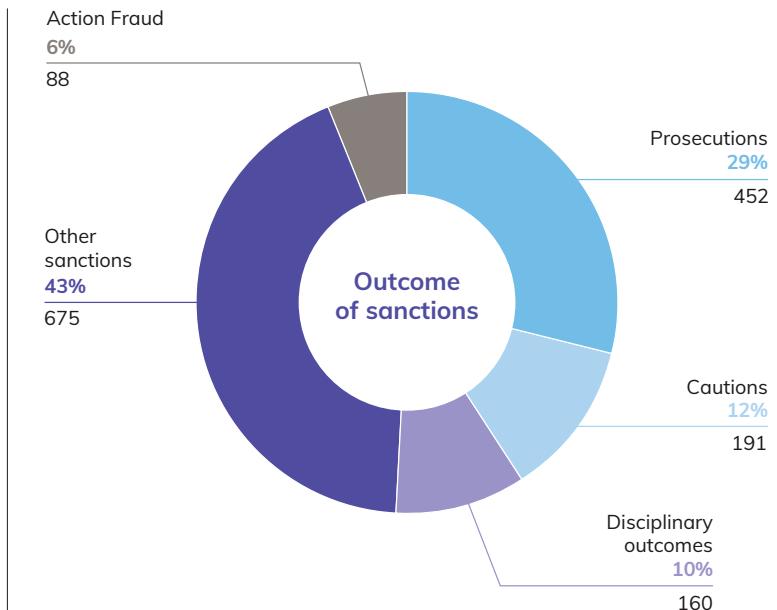
The responses show that councils share a significant amount of data both internally and externally, with 73% sharing data with the Cabinet Office/National Fraud Initiative, 52% sharing data with the police and 51% sharing data with their peers (other similar organisations).

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

Sanctions

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

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



Cyber fraud

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

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

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

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

Whistleblowing

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

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

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

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

Counter fraud structure

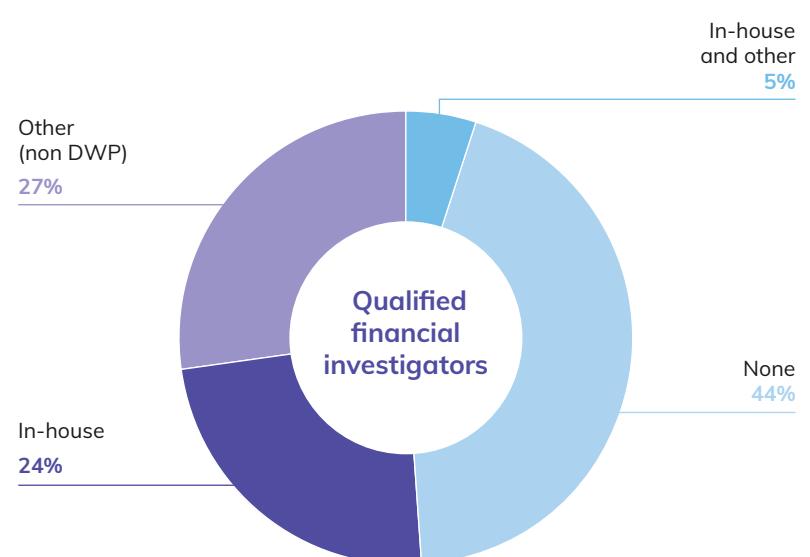
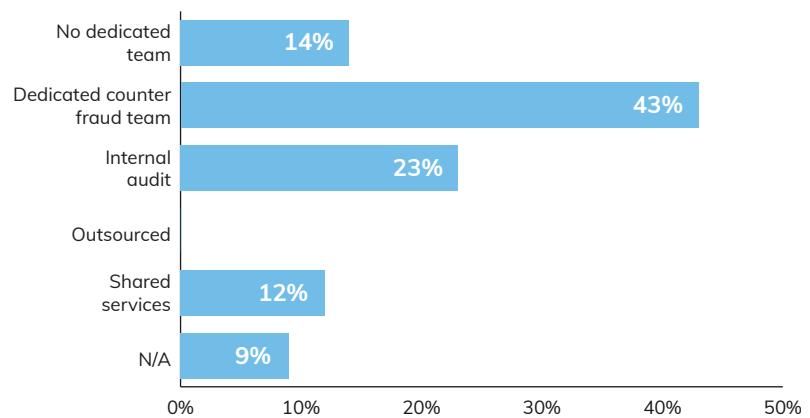
Fraud teams across local government continue to detect and prevent a significant amount of fraud, although having sufficient counter fraud resources is the main perceived issue that needs to be addressed to tackle fraud. Councils are responding to this and expect the number of counter fraud specialist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

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

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

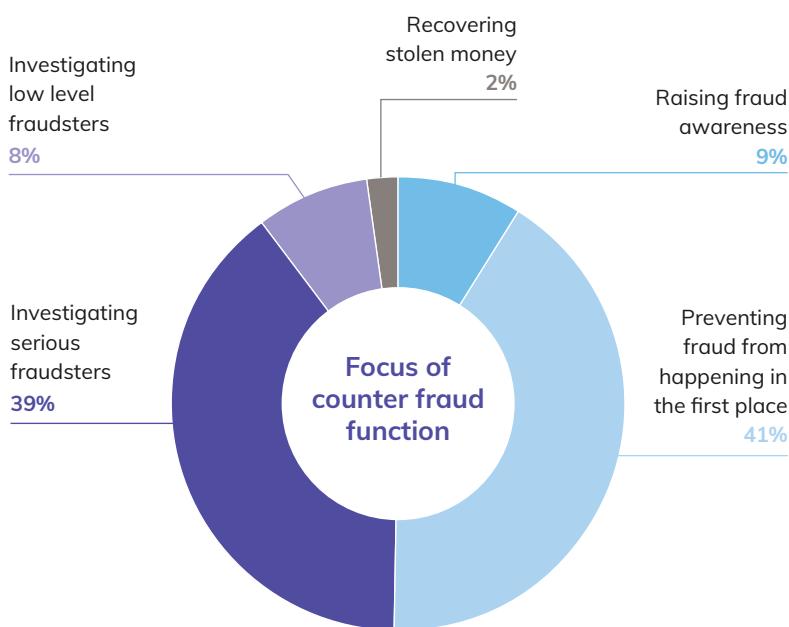
In 2019/20, the proportion of authorities that have available in-house qualified financial investigators was 24%. In addition, the percentage of authorities that have a non-DWP qualified financial investigator increased from 23% in 2018/19 to 27% in 2019/20. However, the proportion of authorities that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

Counter fraud structure breakdown



Focus of counter fraud function

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



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

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

Joint working and data sharing

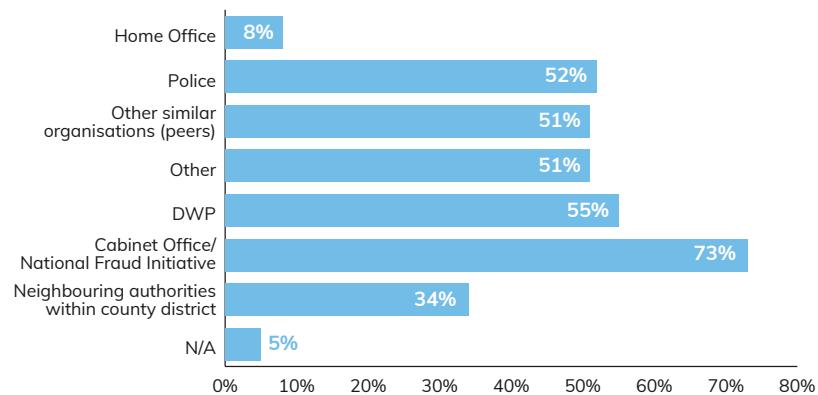
85% of survey respondents stated that they share data internally, mainly with housing, council tax and revenue and benefits departments.

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

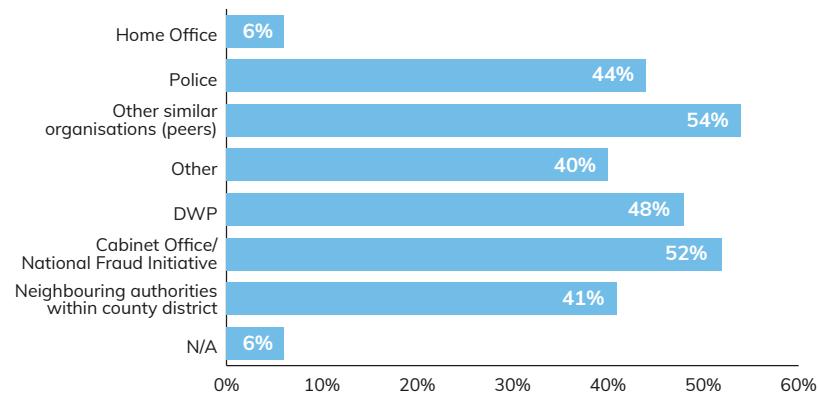
The sort of data that is shared relates to persons of interest, areas of interest and emerging frauds. Some authorities also highlighted that the data they share is for data matching purposes.

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

Share/exchange data with:

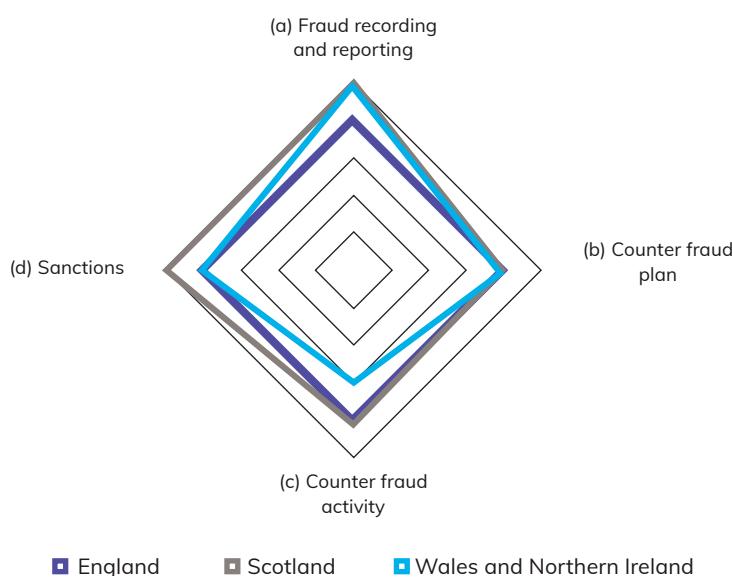


Work jointly with:



Fighting Fraud and Corruption Locally

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



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

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

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

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

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

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

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

Impact of COVID-19

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

- Instances of potential frauds involving empty properties where fraudsters were claiming to occupy with the intention of claiming business grants.

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

Recommendations

CIPFA recommends

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

Appendix 1: Fraud types and estimated value/volume

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

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

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

Appendix 2: Methodology

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

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

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

Appendix 3: Glossary

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

Adult social care fraud:

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

Investigations cover cases where:

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

Blue Badge:

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

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

Business rates fraud:

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

Cautions:

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

Council tax fraud:

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

Council tax fraud is split into three sections:

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

Debt fraud:

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

Disciplinary outcomes:

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

Economic and voluntary sector (grant fraud):

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.

Housing fraud:

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

Insurance fraud:

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

Mandate fraud:

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

Manipulation of data fraud:

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

No recourse to public funds:

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

Organised crime:

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

Payroll fraud:

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

Procurement fraud:

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

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

Recruitment fraud:

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

Right to buy:

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

Welfare assistance:

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

Whistleblowing:

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

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Head of Audit and Risk
Date of Meeting:	3 March 2022

INTERNAL AUDIT PLAN 2022/2023

1.0 Purpose of the report:

- 1.1 To obtain approval from the Audit Committee for the Internal Audit Plan 2022/2023.

2.0 Recommendation(s):

- 2.1 The Audit Committee is asked to approve the Internal Audit Plan for 2022/2023.

3.0 Reasons for recommendation(s):

- 3.1 The Public Sector Internal Audit Standards require that the Internal Audit Plan is approved by senior management and the Audit Committee.

- 3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

- 3.3 Is the recommendation in accordance with the Council's approved budget? Yes

4.0 Other alternative options to be considered:

- 4.1 None.

5.0 Council priority:

- 5.1 The work of the internal audit team contributes to the achievement of all of the Council's priorities.

6.0 Background information

- 6.1 Each risk-based review will include core areas of internal control such as business planning, performance monitoring and security of assets. Segregation of duties in key processes will remain an important focus given the current economic climate and issues identified from past work.

Compliance testing accounts for approximately fifty percent of the allocated audit resource to complement risk-based audit work with a robust set of compliance testing.

Changes to the programme of risk-based work will only be made following discussion with the Council's Section 151 Officer. Any changes will be made known to the Audit Committee through the quarterly report of the Head of Audit and Risk.

- | | | |
|-----|--|----|
| 6.2 | Does the information submitted include any exempt information? | No |
|-----|--|----|

7.0 List of Appendices:

- 7.1 Appendix 7(a) – Internal Audit Plan 2022/2023.

8.0 Financial considerations:

- 8.1 Financial controls are a key feature in all audits.

9.0 Legal considerations:

- 9.1 Each audit review will consider the legal implications faced by the service and will factor these into the evaluation of the service.

10.0 Risk management considerations:

- 10.1 An audit universe is in place which lists all Council services and an exercise is undertaken to risk assess each service using a weighted criteria including materiality, system stability, devolved control, internal control and sensitivity. This is undertaken by the Internal Audit team using their combined knowledge and experience. The Head of Audit and Risk then meets with each Directorate Management Team to present internal audit's priorities and establish what they consider to be risks faced by their service areas.

All of the above information is collated into one document and a further risk assessment is undertaken by the Head of Audit and Risk to identify which of the risks can be resourced in the internal audit plan. Factors which inform this include whether a follow-up of priority one recommendations is already planned, time since last review, whether assurance can be obtained from a different source, the strategic risk register and whether internal audit can gain assurance through an alternative method.

11.0 Equalities considerations:

- 11.1 Equalities risks are considered as part of the audit planning process.

12.0 Sustainability, climate change and environmental considerations:

12.1 Climate change and sustainability risks are considered as part of the audit planning process.

13.0 Internal/external consultation undertaken:

13.1 Planned audit work has been discussed with the Chief Executive, Senior Management and the Section 151 Officer. The Internal Audit Plan was approved by the Corporate Leadership Team on 15 February 2022.

14.0 Background papers:

14.1 None.

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Internal Audit Annual Plan**2022-2023**

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Internal Audit Annual Plan 2022-23

1. Introduction

- 1.1 The purpose of this report is to obtain approval for the Internal Audit Plan for 2022/23. The Public Sector Internal Audit Standards recommends that the audit plan is approved by both the Audit Committee and Senior Management.
- 1.2 In terms of reporting lines for the service the Head of Audit and Risk reports to the Director of Resources on operational issues and the Chief Executive and Audit Committee as appropriate on strategic issues. The Head of Audit and Risk also collaborates as appropriate with the Monitoring Officer.
- 1.3 The audit plan is based on the service structure, which includes eight operational audit staff and the Head of Audit and Risk who splits their time across the four services which they manage. This is an increase of one additional operational auditor from the previous year to reflect the increased demands on the internal audit service due to the wide range of risks faced by the Council and the increasing portfolio of wholly owned companies.
- 1.4 The service will report the overall opinion and assurance statement for all work undertaken on a quarterly basis to the Audit Committee and Corporate Leadership Team. As in previous years, the Audit Committee can request more detailed information on any work undertaken. The annual opinion of the Head of Audit and Risk contributes to the Council's Annual Governance Statement.

2. Audit Planning Process

- 2.1 The production of the internal audit plan consist of a number of key steps as defined below.
- 2.2 Initially the Head of Audit and Risk maps all Council services against the Strategic Risk Register to prepare what is known as the Audit Universe. The Internal Audit Team then collectively score the Audit Universe using the criteria set out in **Table 1** below.
- 2.3 This exercise provides a percentage score for the level of risk in each service using the following criteria:
 - 75%+ - high risk
 - 60% to 74% - medium risk
 - Less than 60% - low risk
- 2.4 The Audit Universe is then further populated to include the year that the service was last subject to an internal audit and if there are other sources of assurance (such as Ofsted or CQC reports) which we can place reliance on. Each member of the Internal Audit Team is required to deliver a presentation based on their knowledge and experience on the Council as to what they believe are the key risk areas.
- 2.5 In addition to the above risk based approach there is a programme of compliance audits which take place every three years so these are also factored into the resource allocation.
- 2.6 All of the above information is then used to prepare an agenda for the Head of Audit and Risk to meet with each Director and their Heads of Service to discuss potential areas of coverage. At these meetings the Head of Audit and Risk explains why areas have been

Internal Audit Annual Plan 2022-23

identified as part of the Audit Risk Assessment Process and also seeks view on what senior managers understand to be the key areas of risk faced by their services.

Table 1 – Risk Criteria for Scoring the Audit Universe

Risk Criteria									
	Materiality	System Stability	Degree of Devolved Control	Internal Control *(1)	Sensitivity of System *(2)				
1	No financial implications	Very stable, no development proposed, well established systems	Minimal	Strong	Little Sensitivity				
2	System with financial implications	Stable, some marginal changes	Partial	Reasonable	Some Sensitivity				
3	Financial system	Significant changes, some new developments planned	High	Concern	Sensitive				
4	Significant financial system	New system being implemented/recently installed	Total	Weak	Highly Sensitive				
Weighting in Model	0.3	0.2	0.2	0.2	0.1				
*(1) Internal Control		*(2) Sensitivity of System							
Factors to assess to reach conclusion:		Factors to assess to reach conclusion:							
<ul style="list-style-type: none"> - previous IA/DA findings -division of duties -perceived quality of staff/systems -morale/staff turnover -existence of regulations, procedures 		<ul style="list-style-type: none"> - confidentiality of data - impact of failure on other systems - political interest - client/customer sensitivity 							
A weighting factor is applied after the initial assessment to account for the time since the last audit review of the system. 1 Year=0; 2 Years=0.05; 3 Years=0.1; 4 Years=0.2; 5 Years=0.3; Never=0.3									
Similarly, a final weighting factor is applied to account for Management's priorities. Low Priority=0; Medium Priority=0.1; High Priority=0.2									

- 2.7 All of the information is then collated into a full list of internal audit requirements and the Head of Audit and Risk maps these against available resource and undertakes a further assessment to determine what can be covered by the Internal Audit Team in the year and what can be delayed until the following financial year. This takes account of both the level of risk, other assurance work and when the area was last subject to internal audit whilst being mindful of the need to ensure an appropriate level of coverage over all directorates.
- 2.8 The Head of Audit and Risk then meets with the Chief Executive and Director of Resources to discuss the full list of requirements and the rationale as to why some areas will be included on the audit plan and others deferred to a future year depending on the resource available in the Internal Audit Team.
- 2.9 Once all the above consultation has taken place the Head of Audit and Risk prepares an annual Internal Audit Plan which is then taken to the Corporate Leadership Team for consideration and the Audit Committee for approval.

3. Overall balance of coverage

- 3.1 The work of the team is divided into three main services to the Council:

Internal Audit Annual Plan 2022-23

- Reviews of Council systems and processes on a risk assessed basis to ensure controls are adequate, coupled with a programme of follow-up work to ensure high risk findings are implemented;
- Compliance testing to ensure:
 - Significant financial systems remain ‘fit for purpose’,
 - Adequate financial and governance procedures in maintained schools,
 - Appropriate financial controls are in place at Council settings such as for social care settings and other establishments.
- Provision of consultancy and advice to service management on request regarding aspects of internal control.

4. Risk-based reviews

- 4.1 Within each risk based review we will continue to include core areas of internal control such as business planning, performance monitoring and security of assets. Segregation of duties in key processes will remain an important focus given the current economic climate and issues identified from past work.
- 4.2 Planned audit work has been discussed with the Chief Executive, Senior Management and the Director of Resources. The plan has also been discussed by the Corporate Leadership Team in February 2022.
- 4.3 The demand for audit work in 2022/2023 has exceeded the available resource and therefore a decision has been taken to focus on the areas with the highest perceived risk or those which have not been subject to recent audit activity. Other sources of assurance have been used to help inform this process such as external inspections and reviews, consultancy reports, external audit work and other internal reviews carried out by other Council services.
- 4.4 The plan has been compared to the financial risk assessment included in the Council’s budget to help ensure that key areas of financial risk are aligned to the audit plan. The plan has also been aligned to the Council’s Strategic Risk Register.
- 4.5 Changes to the programme of risk based work will only be made following discussion with the Council’s Section 151 officer. Any changes will be made known to the Audit Committee through the quarterly report of the Head of Audit and Risk.
- 4.6 The outcome of each risk based review will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:
 - Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.
- 4.7 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Audit and Risk Services Quarterly Report.

Internal Audit Annual Plan 2022-23

- 4.8 A list of risk based reviews which will be covered in 2022/2023 can be found in **Appendix A**.

5. Compliance testing

- 5.1 Risk based audit work is complemented by a robust set of compliance testing. Further details of the areas of coverage can be found in **Appendix A** to this report. The compliance element of the audit programme can be split into the following sub-headings:

Financial Control Assurance Testing

- 5.2 This involves the testing of core financial system transactions to ensure that all major financial systems are subject to an adequate level of audit review work. A cyclical programme has been implemented to ensure that all key financial systems are subject to a compliance audit every three years.
- 5.3 The scope of the audit review and the assurance statement will be reported to CLT and Audit Committee in the Audit and Risk Services Quarterly Report. An assurance statement will be provided on the robustness of the controls based on the following criteria:
- Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.
- 5.4 An opinion will also be provided on whether or not the controls are complied with.

Schools Audit

- 5.5 It is intended that each maintained school will be subject to an audit every three years, or more frequently if necessary.
- 5.6 The outcome of each school audit will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:
- Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.

- 5.7 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Audit and Risk Services Quarterly Report.

Settings / Establishment Visits

- 5.8 A small programme of establishment visits will take place to ensure that controls are operating effectively.

Internal Audit Annual Plan 2022-23

- 5.9 The outcome of each establishment visit will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:
- Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.
- 5.10 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Audit and Risk Services Quarterly Report.

Grant Certification

- 5.11 The audit programme will include various grant certifications which require sign-off by the Head of Audit and Risk.
- 5.12 The outcome of this will be a signed grant certification which will be provided directly to the external funding body.

Follow-Ups

- 5.13 All priority one recommendations made by internal audit are followed up by the Head of Audit and Risk approximately six months after the audit report was finalised and progress against these is reported in summary form to CLT and Audit Committee as part of the Audit and Risk Services Quarterly Report.
- 5.14 In order to ensure that priority two and three recommendations are implemented the Audit Committee pick a sample of completed audit reports and call the relevant Head of Service to committee to provide an update in terms of progress made.

6. Consultancy, Advice and Project Support

- 6.1 The provision of advice, consultancy and project support to management on matters of risk and control remains an important aspect of the internal audit service. As in prior years a proportion of audit time has been set aside in contingency for ad hoc work at management request. Advice work tends to focus on a particular risk a service has identified as part of their normal service provision which requires support from an auditor.
- 6.2 Work of this nature is not reported to CLT and Audit Committee in the Audit and Risk Services Quarterly Report but is included in the Annual Audit Report as it contributes to the overall opinion of the Head of Audit and Risk.

7. Strategic Audit Work

- 7.1 The Head of Audit and Risk is involved in a number of workstreams including corporate governance, risk management and corporate investigations, which are included in the plan.

Internal Audit Annual Plan 2022-23

8. External work

- 8.1 The Internal Audit Team also undertakes work for a range of external clients including the Council's Wholly Owned Companies.

9. Monitoring performance

- 9.1 As head of the Council's independent assurance service, the Head of Audit and Risk will issue quarterly reports to the Statutory Finance Officer, Corporate Leadership Team and Audit Committee, to enable any areas of concern to be acted upon as necessary. The Head of Audit and Risk's opinion on the effectiveness of the system of internal control for the 2022/23 year will be available no later than June 2023.
- 9.2 Performance indicators are used for monitoring and managing the team. Wherever possible, performance indicators are intended to remain the same year on year to enable trends to be identified. The five PIs in place are:

- Audit plan completed;
- Reviews delivered to deadline;
- Reviews delivered to time budget;
- Customer satisfaction;
- Compliance of audit reviews with department quality standards.

10. Recommendation

- 10.1 The Corporate Leadership Team and Audit Committee are asked to approve the internal audit plan for 2022/23.

Tracy Greenhalgh CMIIA, MSc
Head of Audit and Risk
7th February 2022

Appendix A - Planned Risk Based and Compliance Reviews

Directorate	Service / Topic	Provisional Timings	Allocated Days	Strategic Risk	Type of Audit
Operational Audit Work					
Adult Services	Complex Cases and Continuing Health Care	Q2	20	Failure of Adult Services.	Risk
Adult Services	Phoenix Centre	Q2	5	Failure of Adult Services.	Establishment
Adult Services	Supported Living	Q1	5	Failure of Adult Services.	Establishment
Adult Services	Respite Service (Coopers Way One and Two)	Q3	10	Failure of Adult Services.	Establishment
Adult Services	Direct Payments	Q4	20	Increased fraud and error.	Financial Control Assurance Testing
Adult Services Total Operational Audit Days			60		
Chief Executives	Social Housing White Paper	Q2	20	Lack of affordable quality housing property across the town.	Risk
Chief Executives	Workforce Development and Planning	Q4	20	Lack of capacity and capability.	Risk
Chief Executives	Social Housing Rents	Q1	20	Increased fraud and error.	Financial Control Assurance Testing
Chief Executives	HR System Post Implementation Review	Q3	20	Critical system failure.	Risk
Chief Executive Total Operational Audit Days			80		
Children's Services	Children's Centres	Q1	10	Failure / unsustainability / removal of Children's Services.	Compliance
Children's Services	Medium Term Financial Strategy	Q3	20	Insufficient central government funding for Social Care.	Risk

Children's Services	Special Educational Needs	Q1	20	Provision for children with special educational needs and disabilities (SEND) is inadequate.	Risk
Children's Services	Hornby Road Children's Home	Q1	5	Provision for children with special educational needs and disabilities (SEND) is inadequate.	Establishment Visit
Children's Services	Elective Home Education	Q2	20	Poor educational attainment.	Risk
Children's Services Total Operational Audit Days			75		
Communications and Regeneration	Events Management	Q1	20	Tourism economy fails to recover.	Risk
Communications and Regeneration	Planning	Q3	20	Inappropriate decisions made by the Council.	Risk
Communications and Regeneration	Illuminations	Q2	20	Tourism economy fails to recover.	Risk
Communications and Regeneration	Business Support / Recovery	Q1	20	Local economy fails to recover.	Risk
Communication and Regeneration Total Operational Audit Days			80		
Community and Environmental	Waste Management	Q1	20	Supply chain failure (goods and services).	Risk
Community and Environmental	Green and Blue Infrastructure	Q2	20	Poor health and wellbeing outcomes.	Risk
Community and Environmental	Leisure Centres Compliance Visit	Q3	10	Poor health and wellbeing outcomes.	Compliance
Community and Environmental	CCTV Project	Q2	20	Inadequate safety management of the public realm/ communities.	Risk
Community and Environmental	Food Control	Q1	20	Inadequate safety management of the public realm/ communities.	Risk
Community and Environmental	Integrated Transport	Q4	20	Provision for children with special educational needs and disabilities (SEND) is inadequate.	Risk
Community and Environmental	Driving at Work	Q2	20	Unsafe workplace.	Risk
Community and Environmental Services Total Operational Audit Days			130		

Corporate	Grant Certifications	Various	20	Insufficient funding to deliver services.	Compliance
Corporate	Compliance with Corporate Arrangements	Q2	15	Inappropriate decisions made by the Council.	Compliance
Corporate	Community Engagement	Q3	20	Residents unable to access / influence information about Council Services.	Risk
Corporate	Wholly Owned Companies Leases, Asset Registers, Contracts and Operating Agreements	Q1	20	Failure of wholly owned companies.	Risk
Corporate	Partnership Governance	Q1	20	Failure of key strategic partnerships.	Risk
Corporate	Use of Consultants	Q2	10	Supply chain failure (goods and services).	Compliance
Corporate	Social Value	Q4	20	Supply chain failure (goods and services).	Risk
Corporate	Recruitment, retention and succession planning	Q4	20	Lack of capacity and capability.	Risk
Corporate	Pandemic Response	Q2	20	Pandemic infection / health security concern (human and animals).	Risk
Corporate	Not in Education, Employment or Training	Q3	20	Local economy fails to recover.	Risk
Corporate	Transition from Children's to Adults	Q2	20	Failure of Adult Services.	Risk
Corporate Total Operational Audit Days			205		
Governance and Partnerships	Wedding Chapel	Q3	5	Inappropriate decisions made by the Council.	Establishment Visit
Governance and Partnerships	Civil Claims Financial Data	Q1	10	Hardening insurance market.	Compliance
Governance and Partnerships	Adult Social Care Legal Services Support	Q2	20	Inappropriate decisions made by the Council.	Risk
Governance and Partnerships Total Operational Audit Days			35		
Public Health	Digital Front Door	Q3	20	Poor health and wellbeing outcomes.	Risk

Public Health Total Operational Audit Days			20		
Resources	Direct Debits	Q2	10	Increased fraud and error.	Compliance
Resources	Procurement and Supply Chain Management	Q4	20	Supply chain failure (goods and services).	Risk
Resources	IT Help Desk and Device Management	Q4	20	Cyber Threats.	Risk
Resources	Payroll	Q3	20	Increased fraud and error.	Financial Control Assurance Testing
Resources	Creditors	Q1	20	Increased fraud and error.	Financial Control Assurance Testing
Resources	Council Tax	Q2	20	Increased fraud and error.	Financial Control Assurance Testing
Resources	Client Finances	Q3	20	Increased fraud and error.	Financial Control Assurance Testing
Resources	Energy Management	Q3	10	The Council fails to reduce carbon emissions and proactively take action to address the climate emergency.	Detailed Follow-Up
Resources Total Operational Audit Days			140		
Schools	Virtual School	Q3	5	Poor educational attainment.	Establishment Visit
Schools	Stanley Primary School	Q2	2	Poor educational attainment.	Establishment Visit
Schools	St John Vianney's Primary School	Q1	2	Poor educational attainment.	Establishment Visit
Schools	Holy Family Primary School	Q1	2	Poor educational attainment.	Establishment

					Visit
Schools	Bispham Endowed Primary School	Q2	2	Poor educational attainment.	Establishment Visit
Schools Total Operational Audit Days			13		
Overall Number of Operational Audit Days			838		
Strategic Audit Work					
Corporate	HR and Finance System Implementations	As required	20	Critical system failure.	Project Support
Corporate	Growth and Prosperity Programme	As required	20	Failure of regeneration projects.	Project Support
Corporate	Corporate Governance	As required	10	-	-
Corporate	Risk Management	As required	10	-	-
Corporate	Audit Management, Advice and Consultancy Support	As required	120	-	-
Total Number of Strategic Audit Days			180		
External Work					
External Work	School Voluntary Funds	TBC	5	-	-
External Work	Clevr Money	TBC	4	-	-
External Work	Operating Company	TBC	5	-	-
External Work	Wholly Owned Companies	TBC	172	-	-
Total Number of External Audit Days			186		
Total Number of Audit Days			1,204		

Agenda Item 8

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Head of Audit and Risk
Date of Meeting:	3 March 2022

INTERNAL AUDIT CHARTER 2022/2023

1.0 Purpose of the report:

- 1.1 To present the updated Internal Audit Charter for approval by the Audit Committee.

2.0 Recommendation(s):

- 2.1 The Audit Committee is asked to approve the Internal Audit Charter 2022/2023.

3.0 Reasons for recommendation(s):

- 3.1 To ensure that Internal Audit continues to adhere to the Public Sector Internal Audit Standards.

- 3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

- 3.3 Is the recommendation in accordance with the Council's approved budget? Yes

4.0 Other alternative options to be considered:

- 4.1 None.

5.0 Council priority:

- 5.1 The work of the internal audit team contributes to the achievement of all of the Council's priorities.

6.0 Background information

- 6.1 The Internal Audit Charter defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within the Council and defines the scope of internal audit activities and reporting lines. The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) set the internal audit standards in respect of local government across the UK and adopted a common set of

Public Sector Internal Audit Standards (PSIAS) in April 2013. The Charter follows the model document provided by the Chartered Institute of Internal Auditors.

- 6.2 Does the information submitted include any exempt information? No

7.0 List of Appendices:

- 7.1 Appendix 8(a) – Internal Audit Charter 2022/2023.

8.0 Financial considerations:

- 8.1 Effective internal controls and an effective internal audit service can have a positive impact on the Council's financial position through identification of areas where controls can be strengthened, losses prevented and value for money improved.

9.0 Legal considerations:

- 9.1 All local authorities are subject to the Accounts and Audit (England) Regulations (2015) which requires them to make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the CIPFA Local Government Application Note.

10.0 Risk management considerations:

- 10.1 The work of internal audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.

11.0 Equalities considerations:

- 11.1 Internal audit will consider risks in relation to equalities as part of its annual planning process.

12.0 Sustainability, climate change and environmental considerations:

- 12.1 Internal audit will consider risks in relation to sustainability, climate change and the environment as part of its annual planning process.

13.0 Internal/external consultation undertaken:

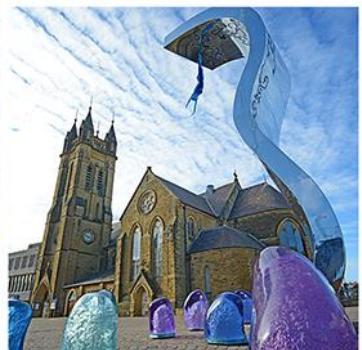
- 13.1 The Senior Auditors contributed to the development of the Charter. The Charter was approved by the Corporate Leadership Team on 15 February 2022.

14.0 Background papers:

- 14.1 Public Sector Internal Audit Standards.

Internal Audit Charter 2022-2023

Blackpool Council



Internal Audit Charter 2022-23

Purpose, Mission Statement and Definition

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility. It establishes the internal audit activity's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

The charter also covers the arrangements for the appointment of the Head of Audit and Risk and internal audit staff, and identifies the nature of professionalism, skills and experience required.

Internal Audit Mission Statement

The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. 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.

Role

The internal audit activity is established by the Corporate Leadership Team and Audit Committee. The internal audit activity's responsibilities are defined by the Corporate Leadership Team and Audit Committee as part of their oversight role.

The Public Sector Internal Audit Standards require that the Internal Audit Charter defines the terms Board, Chief Audit Executive and Senior Management in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:

- **Board** - The internal audit activity is established and defined by the Board, (hereafter referred to as the Audit Committee). The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role.
- **Chief Audit Executive** - The role of the Chief Audit Executive is undertaken by the Head of Audit and Risk.
- **Senior Management** – Senior Management is defined as the Corporate Leadership Team.

Standards and Core Principles

Internal audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2015, which require authorities to ensure that they have a sound system of internal control which:

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- Ensures that the financial and operational management of the authority is effective; and
- Includes effective arrangements for the management of risk.

Internal Audit Charter 2022-23

The Accounts and Audit Regulations 2015 also state that: “a relevant body 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”.

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA); International Professional Practices Framework (IPPF) and CIPFA in respect of local government. A common set of Public Sector Internal Audit Standards (PSIAS) were adopted from 1 April 2013.

Compliance with the standards is subject to a quality assurance and improvement programme in line with the standards. This includes a regular self-assessment and an external assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Results of quality reviews shall be reported to the Audit Committee by the Head of Audit and Risk.

The Core Principles within the PSIAS articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively. Failure to achieve any of the principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission. The internal audit activity must achieve the following Core Principles:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Ethics and Professionalism

Internal audit operates in accordance with the PSIAS and all internal audit staff in the public sector govern themselves by adherence to the PSIAS Code of Ethics. All audit staff are also required to adhere to the Codes of Ethics of their professional bodies, where appropriate. Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'. Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes; and
- Probability of significant errors, fraud, or non-compliance.

Internal Audit Charter 2022-23

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, has authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee. Designated auditors are entitled, without necessarily giving prior notice, to require and receive:

- Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- Access at all reasonable times to any land, premises, officers and members of the Council;
- The production of any cash, stores or other property of the Council under an officer's and member's control; and
- Explanations concerning any matter under investigation.

Where the Council works in partnership with other organisations, the role of internal audit will be defined on an individual basis. Where internal audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the organisation's Audit Committee and in consultation with the Director of Resources to ensure that appropriate audit resources are available to provide assurance over the Council's activities.

Organisation

Internal audit activity supports the Director of Resources to discharge their responsibilities for maintaining proper administration of financial affairs and an adequate and effective system of internal control as required under section 151 of the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2015.

The Head of Audit and Risk reports to the Audit Committee. The Audit Committee approve the annual internal audit plan and review the adequacy of internal audit activity, the scope and nature of its work and receives and reviews the assurance statements from internal audit work undertaken. The Audit Committee also play a proactive role in seeking assurance that internal audit recommendations are implemented by inviting Heads of Service to provide updates to Audit Committee meetings on a sample basis.

Internal audit resides within the Resources Directorate. The Head of Audit and Risk will report on operational issues to the Director of Resources (Statutory Finance Officer) and the Chief Executive on strategic matters. The Head of Audit and Risk has the authority to communicate and interact directly with the Corporate Leadership Team and the Audit Committee.

Internal audit and external audit communicate as and when required to reduce duplication and make optimum use of the available audit resources.

Independence and Objectivity

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The internal audit activity will remain free from interference by any element of Blackpool Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair an internal auditor's judgement.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all of the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Head of Audit and Risk will confirm to the Corporate Leadership Team and Audit Committee, at least annually, the organisational independence of the internal audit activity.

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Blackpool Council's governance, risk management and internal control processes in relation to the Council's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance;
- Effectiveness and efficiency of operations and employment of resources;
- Compliance with significant polices, plans, procedures, laws and regulations;
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information; and
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes (Audit Universe) of the organisation including governance and risk management processes. The Head of Audit and Risk must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit.

Internal audit may also perform consulting and advisory services related to governance, risk management and control as appropriate for the Council; this is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help management improve the Council's risk management, governance and internal control environment.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Corporate Leadership Team and Audit Committee, including fraud risks, governance issues and other matters requested or needed by the Corporate Leadership Team.

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The Audit Committee is responsible for oversight of the governance, risk management and internal control environment at the Council. The Audit Committee have a key role in providing an appropriate level of challenge related to strategic risks to satisfy themselves that officers are taking action to mitigate risks.

The Statutory Finance Officer, Head of Paid Service and Monitoring Officer are responsible for ensuring that the Council complies with the Council's governance framework, of which internal audit form an integral role.

Role of Internal Audit in Fraud Related Work

Managing the risk of fraud is the responsibility of line management. The Statutory Finance Officer has specific responsibilities in relation to the detection and investigation of fraud and may request internal audit to assist with the investigation of suspected fraud or corruption. The Corporate Fraud and Investigations Team also reports to the Head of Audit and Risk and therefore appropriate links are in place to ensure a prompt response to serious fraud issues. The Head of Audit and Risk should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

Internal Audit Plan

The Head of Audit and Risk should develop and maintain a strategy for economically and efficiently providing the Statutory Finance Officer, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements.

On an annual basis, the Head of Audit and Risk will submit to the Corporate Leadership Team and Audit Committee an internal audit plan for review and approval, including risk assessment criteria. The internal audit plan includes timing as well as budget and resource requirements for the next financial year. The Head of Audit and Risk will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Team and the Audit Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk based methodology, including input from senior managers. Prior to submission of the plan to the Corporate Leadership Team for approval the plan will be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the quarterly activity reporting process.

Scope of Internal Audit Work – Opinion Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

Governance

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;

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- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Co-ordinating the activities of and communicating information among the Audit Committee, external and internal auditors and management.

Risk Management

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing how:

- Organisational objectives support and align with the organisation's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the Audit Committee to carry out their responsibilities.

Internal Control

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Economical, effective and efficient use of resources;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- Compliance with laws, regulations, policies, procedures and contracts.

Non - Opinion Work

Where internal audit is requested to provide advice, consultancy, investigatory or project support work the request will be assessed by the Head of Audit and Risk. Such assignments will be undertaken where it is considered that the following criteria will be met:

- The work aligns with the available skills and resources within internal audit.
- The assignment will contribute to strengthening the control framework.
- Accepting the assignment would not give rise to a conflict with planned assurance work or the general requirement for internal audit to maintain independence.

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Such assignments may be included as part of the internal audit annual plan or resourced through utilisation of contingency specifically set aside in the plan for this purpose. Approval must be sought from the Audit Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

Delivery of Internal Audit Work

Engagement Planning

For each engagement, a Client Notification will be prepared, and agreed with relevant managers. The Client Notification will establish the objectives, scope and timing for the audit assignment, and reporting requirements.

Internal Auditors are not tasked with reviewing any systems for which they have previously held operational responsibility for. This is applied for a three year period to ensure that objectivity is not compromised.

As the Head of Audit and Risk has operational responsibilities for the management of other areas in Risk Services any audit assurance work related to these areas is managed by a Senior Auditor with no involvement from the Head of Audit and Risk. On these occasions the scope of the work and agreement of the report are undertaken in conjunction with the Head of Audit and Risk's line manager (Statutory Finance Officer), to help avoid the risk of conflicts of interest.

Performing the Engagement

Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the review's objectives. This evidence supports their conclusions, professional judgments and recommendations and therefore must be factual and accurate. This data is held in compliance with the Council's Retention Schedule. Engagements are supervised to ensure objectives are achieved and quality is assured.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Head of Audit and Risk must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Head of Audit and Risk must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

Reporting and Monitoring

A written report will be prepared and issued by the Head of Audit and Risk or designee following the conclusion of each internal audit engagement and will be distributed in accordance with internal protocols. Internal audit results will also be communicated to the Audit Committee.

The internal audit report includes management's response and corrective action taken or to be taken in regard to the specific findings and prioritised recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for

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anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Head of Audit and Risk will agree reporting arrangements with the Statutory Finance Officer which will include procedures for the:

- Distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- Distribution of finalised audit reports;
- Follow up by internal audit of agreed recommendations; and
- Escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and high risk recommendations. All significant findings will remain in an open issues file until cleared. It is the responsibility of the manager to ensure agreed recommendations are implemented and for them to provide relevant evidence to internal audit. The findings and results of follow up reviews are communicated to the Audit Committee and used to inform future audit planning.

The Head of Audit and Risk will present a formal report annually to the Corporate Leadership Team and Audit Committee giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control (including any reliance placed on work by other assurance providers). This report will conform to the PSIAS for the Head of Internal Audit Opinion statement, and will provide a summary of the work to support the opinion. It will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit Committee on a quarterly basis during the year.

A statement will also be made on the conformance with the PSIAS, the results of the quality assurance and improvement program and any external assessor's improvement recommendations, disclosure of any impairments or limitations. If an unfavourable opinion is given, the reasons for this must be specified.

Communicating the Acceptance of Risk

If the Head of Audit and Risk concludes that management has accepted a level of risk that may be unacceptable to the organisation, this will be discussed with the relevant senior manager. If the Head of Audit and Risk determines that the matter has not been resolved, then the matter will be communicated to the Statutory Finance Officer, Chief Executive and the Audit Committee.

Responsibilities of the Council

The Council is responsible for ensuring that Internal Audit is provided with all necessary assistance and support to ensure that it meets the required standards.

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The Statutory Finance Officer will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Corporate Leadership Team and Audit Committee and the adoption of corresponding elements in the Financial Regulations.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit plan and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan.

The Council, through the Corporate Leadership Team and other relevant managers, will respond promptly to audit plans, reports and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

Skills and Competencies

Head of Audit and Risk

The Head of Audit and Risk will be appointed by the Director of Resources and will have sufficient skill, experience and competencies to work with the leadership team and the Audit Committee and influence the risk management, governance and internal control of the Council. The Head of Audit and Risk is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Head of Audit and Risk will specify any other professional skills that may be needed by the internal audit team. The Head of Audit and Risk will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

Internal Audit Staff

Internal audit must be appropriately staffed in terms of grades, qualification levels and experience. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme. The Head of Audit and Risk is responsible for appointing the staff of internal audit and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Head of Audit and Risk is responsible for allocating appropriately qualified and experienced auditors to specific assignments, from within the internal audit team and when using auditors from partner internal audit teams or other external sources.

Each job role within the internal audit structure will detail skills and competencies within the approved job description and person specification. In line with Council policy and the PSIAS, each member of the team will be assessed against these predetermined competencies and annual objectives. Any development and training plans will be regularly reviewed, monitored and agreed with the audit team members. This assessment will also take into account competency changes as needed i.e. to reflect changing technology and legislation. Auditors are also required to maintain a record of their continual professional development in line with their professional body.

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Periodic Assessment

The Head of Audit and Risk is responsible for providing periodically a self-assessment on the internal audit activity regarding its conformity to the Audit Charter (purpose, authority, responsibility) and performance relative to the audit plan.

In addition, the Head of Audit and Risk will communicate to the Corporate Leadership Team and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Quality Assurance and Improvement Programme

The internal audit service will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Head of Audit and Risk will communicate to the Corporate Leadership Team and Audit Committee on the internal audit activity's quality assurance programme, including results of ongoing internal assessments and external assessment conducted at least every five years.

Internal Audit Resources

If the Head of Audit and Risk or the Committee consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Mission, the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Statutory Finance Officer accordingly.

Review

This Charter will be the subject of annual review by the Head of Audit and Risk and will be formally presented to the Corporate Leadership Team and Audit Committee for approval.

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AUDIT COMMITTEE ACTION TRACKER

	DATE OF REQUEST	ACTION	TARGET DATE	RESPONSIBLE OFFICER	UPDATE	RAG RATING
1	23.01.20	That the impact of the newly established joint working arrangements with the Department for Work and Pensions be reported to the Committee at a future meeting.	March 2022	Mrs Tracy Greenhalgh, Head of Audit and Risk		Yellow
2	24.09.20	To receive a 12 month update on the Internal Audit recommendations from the review of advertising.	March 2022	Mr Philip Welsh, Head of Tourism and Communications	To be reported to the 3 March meeting of the Audit Committee.	Complete
3	30.11.20	To receive an update report on the cost analysis findings of Traffic Regulations Orders at a future meeting of the Committee.	March 2022	Mr John Blackledge, Director of Community and Environmental Services		Yellow
4	30.11.20	To receive the results from the CIPFA benchmarking exercise at a future meeting of the Committee.	March 2022	Mrs Tracy Greenhalgh, Head of Audit and Risk	To be reported to the 3 March meeting of the Audit Committee.	Complete
5	21.01.21	To receive, in due course, Deloitte's detailed log of all additional work and the associated costs, with any materially significant queries identified.	TBC	Ms Nicola Wright, Deloitte		Not yet due
6	25.03.21	The Committee agreed to receive an update on progress in relation to a	March 2022	Mrs Tracy Greenhalgh, Head of Audit and Risk		Yellow

	DATE OF REQUEST	ACTION	TARGET DATE	RESPONSIBLE OFFICER	UPDATE	RAG RATING
		communications plan for the Fraud Team.				
7	29.04.21	That the Chair of the Audit Committee give further consideration as to the role of the Committee in relation to contract management and procurement arrangements, in conjunction with Mrs Tracy Greenhalgh, Head of Audit and Risk.	TBC	Mrs Tracy Greenhalgh, Head of Audit and Risk		Not yet due
8	30.09.21	The Committee to receive a progress update on the development of the junction of Common Edge Road following the appointment of a consultant and designers.	March 2022	Mr John Blackledge, Director of Community and Environmental Services		
9	11.11.21	That more specific details around the Council's Strategic Leisure Assets be brought back to the Committee at a future meeting.	TBC	Mr Lee Frudd, Head of Strategic Leisure Assets		Not yet due
10	11.11.21	Due to the nine Priority Two recommendations arising from the audit of 'Management of Investment Properties,' the Chair requested that the relevant service manager be invited to attend a future meeting of the Audit	TBC			Not yet due

	DATE OF REQUEST	ACTION	TARGET DATE	RESPONSIBLE OFFICER	UPDATE	RAG RATING
		Committee to provide a progress update.				
11	20.01.22	That data to outline the number of children being schooled at home be brought to the next meeting of the Audit Committee.	March 2022	Victoria Gent		Yellow
12	20.01.22	That an updated ISA 260, along with the final accounts be presented to the next meeting of the Audit Committee.	March 2022	Deloitte		Yellow
13	20.01.22	That a further review in respect of energy management would be included within the Internal Audit Plan which would be brought to the next meeting of the Audit Committee.	March 2022	Mrs Tracy Greenhalgh, Head of Audit and Risk	Internal Audit Plan to be reported to the 3 March meeting of the Audit Committee.	Complete

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