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DIRECTOR OF STRATEGY,
PERFORMANCE AND
GOVERNANCE'S OFFICE
DIRECTOR OF STRATEGY, PERFORMANCE
AND GOVERNANCE
Paul Dodson

16 October 2019

Dear Councillor

You are summoned to attend the meeting of the;

PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE

on **THURSDAY 24 OCTOBER 2019** at 7.30 pm.

in the Council Chamber. Maldon District Council Offices, Princes Road, Maldon.

A copy of the agenda is attached.

Yours faithfully



Director of Strategy, Performance and Governance

COMMITTEE MEMBERSHIP

COUNCILLORS	
	E L Bamford
	Mrs P A Channer, CC
	M F L Durham, CC
	A S Fluker
	B E Harker
	M S Heard
	K W Jarvis
	J V Keyes
	K M H Lagan
	S P Nunn
	N J Skeens
	W Stamp
	Mrs J C Stilts
	C Swain
	Mrs M E Thompson

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AGENDA
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
THURSDAY 24 OCTOBER 2019

1. **Appointment of Chairman and Vice-Chairman**

To appoint a Chairman and Vice-Chairman of the Committee for the remainder of the municipal year.

2. **Chairman's Notices (please see overleaf)**

3. **Apologies for Absence**

4. **Disclosure of Interest**

To disclose the existence and nature of any Disclosable Pecuniary Interests, other Pecuniary Interest or Non-Pecuniary Interests relating to items of business on the agenda having regard to paragraphs 6 – 8 of the Code of Conduct for Members.

(Members are reminded that they are also required to disclose any such interest as soon as they become aware should the need arise through the meeting.)

5. **Public Participation**

To receive the views of members of the public on items of business to be considered by the Committee (please see below):

1. A period of ten minutes will be set.
2. An individual may speak for no more than two minutes and will not be allowed to distribute or display papers, plans, photographs or other materials.
3. Anyone wishing to speak must notify the Committee Clerk between 7:00pm and 7:20pm prior to the start of the meeting.

6. **Internal Audit - Fraud Risk Assessment - Advisory Report Addressing the Recommendations** (Pages 5 - 12)

To consider the report of the Interim Section 151 Officer, (copy enclosed).

7. **Appointment of Representatives on Liaison Committees / Panels** (Pages 13 - 14)

To consider the report of the Director of Strategy, Performance and Governance, (copy enclosed).

8. **External Audit Verbal Update** (Verbal Report)

To receive a verbal update from the Interim Section 151 Officer.

9. **Any other items of business that the Chairman of the Committee decides are urgent**

NOTICES

Sound Recording of Meeting

Please note that the Council will be recording any part of this meeting held in open session for subsequent publication on the Council's website. Members of the public attending the meeting with a view to speaking are deemed to be giving permission to be included in the recording.

Fire

In event of a fire, a siren will sound. Please use the fire exits marked with the green running man. The fire assembly point is outside the main entrance to the Council Offices. Please gather there and await further instruction.

Health and Safety

Please be advised of the different levels of flooring within the Council Chamber. There are steps behind the main horseshoe as well as to the side of the room.

Closed-Circuit Television (CCTV)

This meeting is being monitored and recorded by CCTV.



**REPORT of
INTERIM SECTION 151 OFFICER**

**to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
24 OCTOBER 2019**

**INTERNAL AUDIT – FRAUD RISK ASSESSMENT – ADVISORY REPORT
ADDRESSING THE RECOMMENDATIONS**

1. PURPOSE OF THE REPORT

1.1 The Finance and Corporate Services Committee at its last meeting on 24 September 2019 considered an Internal Audit Advisory Report on Fraud Risk Assessment in the Council. The Committee resolved the following:

- (i) that the findings of the Internal Audit Fraud Risk Assessment – Advisory Report – March 2019 be noted;
- (ii) that the Performance, Governance and Audit Committee consider a report at its next meeting providing an update on the progress of work in respect of the Internal Audit recommendation.

2. RECOMMENDATIONS

That the Committee:

- (i) considers this report with particular reference to Section 3 and **APPENDIX 1**;
- (ii) notes the Interim Section 151 Officer’s approach and his views and advice on ensuring that the corporate anti-fraud activities and awareness together with the appropriate processes and polices are all linked together and embedded into the normal operational working of the Council and that the ownership and accountability for the exercise of the function is identified in an individual role;
- (iii) agrees that in view of the current ongoing structure change in the Council, the findings and recommendations of the Advisory Report are implemented in full by December 2019 with a combination of in-house resources and tailored external support from BDO the balance of activities between the two to be determined by the Corporate Leadership Team; and
- (iv) agrees that the responsibility and accountability and hence the ownership for corporate fraud prevention function overall within the Council is clearly defined to an individual resource to lead on.

3. SUMMARY OF KEY ISSUES

- 3.1 The Council's Internal Auditor undertook a review of the Council's Fraud Risk Assessment process/system and awareness of fraud risk across the organisation.
- 3.2 The findings and recommendations were published in an Advisory Report which was considered by the predecessor to this Committee, the Audit Committee on 13 June 2019 for which the minute is reproduced below:

170. INTERNAL AUDIT FRAUD RISK ASSESSMENT- ADVISORY REPORT - MARCH 2019

The Committee considered the advisory report to carry out a Fraud Risk Assessment as requested by the Director of Resources, covering the period November 2018 to January 2019.

Before asking the Head of Internal Audit, Greg Rubins, to comment on findings the Director of Resources provided the background to this report. She informed the Committee that in 2015 Central Government decided to centralise all benefit fraud investigation work, however, this Council decided to retain their own fraud resource with an allocated budget. The result was a combined corporate fraud and planning enforcement resource.

In 2017 the Director of Resources asked for a review to take place, specifically requested by the section 151 Officer, as there were concerns regarding the resource and whether it was focussed on corporate fraud or planning enforcement. The report found that the Council was not doing counter fraud work as the resources were focussed on planning enforcement cases.

Mr Rubins then addressed the report and advised that for best practice purposes BDO had assessed the Council against the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance on counter fraud. He said he had seen both private and public sector organisations adversely impacted by corporate fraud. Furthermore, when going through transformation, there was an increased risk of fraud therefore close control over potential fraud was important. Whilst there was a basic framework in place and the fraud team was both experienced and knowledgeable, resources were inconsistently applied.

Assessment findings demonstrated a need to develop counter fraud resource by putting together a proper risk-based plan, a training plan for both Officers and Members, updated policies and strategies with resources applied to wider areas including procurement, HR and Finance. Alongside these measures regular reporting to Audit Committee on actions taken was crucial. He advised that once investment in this area occurs the Council may see an initial increase in reporting fraud and that this was quite normal as previously staff may not have been aware of fraud or what constituted fraud.

The Director of Resources advised the Committee that, from the outset, the Future Model had a resourced built-in activity to cover this area of work through either staff appointment or external contactor. She said that the review had shown how valuable

counter fraud work can be to an organisation as it raised awareness/reporting and shone a light on fraud, which by its nature was hidden.

The chairman put the recommendations to the Committee and they were agreed.

RESOLVED

- (i) *That Members reviewed the information as set out in this report and appendix 1 and their views and comments were sought;*
- (ii) *That it was recommended that the Finance and Corporate Services Committee receive and consider the findings of the Internal Audit Fraud Risk Assessment – Advisory Report – March 2019.*

3.2 Following the publication of the final report by BDO, the then Director of Resources on 22 May 2019 requested BDO to quote for the work arising from the recommendations in the report as follows:

‘Just a few things to pick up if possible; firstly, please could you provide a quote (doesn’t need to be a huge proposal) for the work that you would deem required in terms of counter fraud. It would make sense depending on cost for you to do IA as well as some counter fraud work if you have capacity and are interested in it subject to cost.’

3.3 The Internal Auditor, Mr Greg Rubins of BDO replied on 29 May 2019 setting out the programme of work that BDO would undertake to address the recommendations in the report for a cost of £9,000 excluding VAT. Mr Rubins also set out the quality assurance and management arrangements that would apply for the contract. The programme of work identified by BDO is set out at **APPENDIX 1**.

3.4 The Interim Section 151 Officer commenced his appointment with the Council on 5 August 2019 and only became aware of the existence of the report at the pre-agenda meeting with the Chairman and Vice Chairman of the Audit Committee leading up to 29 August 2019 meeting.

3.5 Since then the Interim Section 151 Officer has undertaken steps to trace where and how the costing of £9,000 came about that the then Director of Resources had included in the Management Comments in the report.

3.6 The outcome of that work is set out in paragraphs 3.2 and 3.3 above.

3.7 Since then the Interim Section 151 Officer has been reviewing the suggested work programme by BDO and evaluating how much of it could be undertaken inhouse by the Council’s own staff as part of normal operations and within the context of the new Future Council structure vis-à-vis capacity and understanding of existing Officers as the then Director of Resources had advised the Audit Committee at its meeting on 13 June 2019 that, *from the outset, the Future Model had a resourced built-in activity to cover this area of work through either staff appointment or external contactor.*

She said that the review had shown how valuable counter fraud work can be to an organisation as it raised awareness/reporting and shone a light on fraud, which by its nature was hidden’.

- 3.8 The Interim Section 151 Officer is currently in the process of identifying where the resourced built-in activity is in the organisation in view of the structure changes and if so to bring the work programme into the remit of the resource with a plan for its delivery. Failing that, it is considered that the work is commissioned to be undertaken by BDO.
- 3.9 It is the view of the Interim Section 151 Officer the corporate fraud risk assessment and awareness policy and strategy with the consequent processes, procedures and system(s) in the Council should ideally be developed, implemented, maintained and monitored inhouse so that ownership and accountability of the function is clear from the outset. Whilst, external expertise and help can be beneficial and sometimes necessary, it be seen as a ‘bolt-on’ time specific defined piece of work that is done by an external supplier who then leaves it with the Council without any clear ownership for it once handed over internally. This danger can be even more so in a Council where roles and responsibilities and the whole way of working has and is in a state of change.
- 3.10 It should be noted as recorded in Minute No. 170 reproduced above that the original reason for the request for Internal Audit to undertake the advisory report work was a concern within the organisation and particularly the then Director of Resources (Section 151 Officer) as to the effectiveness of the Corporate Fraud and Planning Enforcement resource and whether it was focussed on corporate fraud or planning enforcement. The findings showed that the resource is focussed on planning enforcement.

4. CONCLUSION

- 4.1 The findings and the recommendations of the Fraud Risk Assessment Advisory Report dated March 2019 need to be addressed on account that the internal Corporate Fraud and Planning Enforcement resource is concentrated mainly on planning enforcement cases.
- 4.2 The Council has to have in place the policy and strategy on Corporate Fraud and the consequent system(s), process/procedures and monitoring arrangements in place to ensure that it is protected through all staff being aware of the policy and strategy together processes and procedures for identifying potential or actual fraud and reporting any concerns. The processes should also include the actions that would be taken once a concern has been reported. This would include links with the Council’s other relevant policies e.g., the Whistle Blowing Policy and Members and Officers Codes of Conduct, Contract of Employment, Staff Handbook (if there is one), Staff Inductions etc.

5. IMPACT ON STRATEGIC THEMES

- 5.1 Corporate Fraud Risk Assessment and awareness within the Council with a clear policy / strategy, processes and procedures is an essential element in protecting and maintaining the reputation of the Council across all its Strategic Themes.

6. IMPLICATIONS

- (i) **Impact on Customers** – Customers should feel confident when dealing with the Council in that it will be conducted with honesty and integrity without favour or bias.
- (ii) **Impact on Equalities** – None arising directly from this report but the comment in (i) above applies here too.
- (iii) **Impact on Risk** – This report is regarding a specific risk area as described in Section 3 above.
- (iv) **Impact on Resources (financial)** – The report identifies a need for a resource to not only address the findings and recommendations of the Internal Audit – Fraud Risk Assessment Advisory report but also for the ongoing responsibility for Corporate Fraud Risk Assessment and management on an ongoing basis as part of the normal operations of the Council and not a one off ‘bolt-on’ piece of work undertaken periodically.
- (v) **Impact on Resources (human)** – There will be a resource requirement either identified internally or ‘bought-in’ as a result of this report.
- (vi) **Impact on the Environment** – None arising directly from this report.
- (vii) **Impact on Strengthening Communities** – None arising directly from this report.

Background Papers: None.

Enquiries to: Kamal Mehta, Interim Section 151 Officer, (Tel: 01621 875789).

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Programme of Work Quoted by BDO to address the Findings and Recommendations of the Internal Audit – Fraud Risk Assessment Advisory Report – March 2019

Area / Issue	Action	Days
No calculations of financial loss performed	BDO to research and provide guidance on methodology (NB. likely from Southwark).	1 day
CF Strategy and policy are incomplete	Review and update strategy and policy. Publicise via internal comms.	2 days
Staff unaware of policy and responsibilities under it	Provide training to key staff on policy	1 day
Staff lack of awareness of conflicts of interest	Produce poster for internal comms and provide a training session to key staff.	1 day
Procurement unaware of key risks and how to report concerns	Deliver bespoke awareness session.	1.5 days
Management unaware of Bribery Act obligations	Deliver Bribery Act training to management and draft anti-bribery statement.	1.5 days
Key functional areas do not record and manage their fraud risks	Carry out fraud risk assessments in Procurement, Finance and HR. Report findings and recommendations. Advise on embedding risks into local and / or corporate risk management processes.	10 days (2 days' fieldwork per area, plus 2 days write up and review then 2 days to present report and advise on risk management.
	TOTAL	18 days
	COST	£9,000 excluding VAT

The work would be done by [REDACTED] (12 days), managed by [REDACTED] and [REDACTED] (6 days). [REDACTED] is an accredited counter fraud senior auditor who has worked at district councils in local government. [REDACTED] and [REDACTED] are also accredited and they manage our local government and NHS counter fraud work, reporting to a director in [REDACTED] our forensics team

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**REPORT of
DIRECTOR OF STRATEGY, PERFORMANCE AND GOVERNANCE**

to
**PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
24 OCTOBER 2019**

APPOINTMENT OF REPRESENTATIVES ON LIAISON COMMITTEES / PANELS

1. PURPOSE OF THE REPORT

1.1 The purpose of this report is to remind Members of the existing representatives on Liaison Committees / Panels and for new appointments to be made for 2019 / 20.

2. RECOMMENDATION

That the Committee appoints representatives to the bodies detailed below, for the ensuing municipal year.

3. SUMMARY OF KEY ISSUES

3.1 Following the recent changes to the Committee structure, agreed by the Council, it is necessary to review the representatives appointed to service on Liaison Committees / Panels. A review has been undertaken and Liaison Committees / Panels aligned from the old Programme Committees to the new main Committees.

3.2 Members are therefore asked to nominate representatives to serve on the following Liaison Committees / Panels, aligned to the Performance, Governance and Audit (PGA) Committee, for the ensuing municipal year.

Body	Current Representative(s)	Change proposed from October 2019
Brickhouse Farm Management Committee	Councillors E L Bamford and Miss S White	Two Members from the Performance, Governance and Audit Committee
Health Overview and Scrutiny Committee (HOSC)	Councillors E L Bamford and Miss S White	Two Members from the Performance, Governance and Audit Committee
Maldon Citizens Advice Bureau Liaison Committee	Councillor E L Bamford, A L Hull and Miss S White	Three Members from the Performance, Governance and Audit Committee
Maldon District Museum Liaison Committee	Councillors E L Bamford and Miss S White	Two Members from the Performance, Governance and Audit Committee
Maldon Livewell Partnership Group	Chairman and Vice-Chairman of the Community Services Committee	Chairman and Vice-Chairman of the Performance, Governance

Body	Current Representative(s)	Change proposed from October 2019
(formally Maldon Health and Wellbeing Partnership Group) (01/09/15)	<i>Substitute: Leader of the Council</i>	and Audit Committee <i>Substitute: Leader of the Council</i>
Parish Clerk's Forum	Chairman of the Community Services Committee <i>Substitute: Vice-Chairman of the Community Services Committee</i>	Chairman of the Performance, Governance and Audit Committee <i>Substitute: Vice-Chairman of the Performance, Governance and Audit Committee</i>
Places for People Liaison Committee	Councillors E L Bamford and Miss S White <i>Substitute: Councillor Mrs M E Thompson</i>	Two Members from the Performance, Governance and Audit Committee <i>Substitute: One Member of the Performance, Governance and Audit Committee</i>
River Crouch Coastal Community Team (Management Team)	Chairmen and Vice-Chairmen of the Community Services and Planning & Licensing Committees	Chairmen and Vice-Chairmen of the Performance, Governance & Audit and Strategy & Resources Committee *NB: This body aligns with both the PGA and Strategy & Resources Committees

Background Papers: None.

Enquiries to: Tara Bird, Committee Services Officer, (Tel. 01621 875791).