Southend-on-Sea Borough Council

Report of Chief Executive and Town Clerk

to

Audit Committee

on

28 March 2012

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Risk Management Update Report

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1.   **Purpose of Report**

1.1   To update the Audit Committee on the delivery of the Council's Risk Management and Anti Fraud and Corruption Strategies.

2.   **Recommendation**

2.1   **The Committee accepts the progress made in implementing the Council's Risk Management and Anti Fraud and Corruption Strategies.**

3.   **Risk Management Policy, Strategy and Action Plan**

3.1   The Council's Risk Management Policy and Strategy will be updated and reported to the June Audit Committee meeting. It will be redrafted to reflect the key frameworks set out in the Local Code of Governance and the most recent good practice guidance issued by ALARM, the Public Risk Management Association. It will also be done in conjunction with work to refresh other core business management processes.

3.2   The opportunity will also be taken early in the new financial year, to review and update the Council's risk management toolkit, so that it reflects ALARM's recently issued guidance in this area.

4.   **Corporate Risk Register**

4.1   A key role for the Audit Committee is to satisfy itself that the Council has appropriate arrangements in place to identify and manage its key risks. The Corporate Risk Register attached at **Appendix 1** is reported to the Audit Committee twice a year as part of the assurance that this is the case.

4.2   The 2011/12 Corporate Risk Register sets out the key risks to the successful delivery of the Council's corporate aims and priorities and the key controls and actions in place to mitigate and reduce risk or maximise opportunity. It is reviewed by the Council's Corporate Management Team (CMT) quarterly.

4.3   The report has a 3 stage scoring process:

- 1st stage: An 'inherent score' with the risk assessed with no controls, assurance or actions in place.

- 2nd stage: The 'current score' where the risk is assessed with controls, assurances and progress against identified actions. The current score is adjusted in light of progress against actions.

- 3rd stage: The target score which is the risk with the controls, assurances and actions, as if they have been completed.

4.4   Corporate Directors ensure all service specific risks are managed within their Directorates, within service plans and in accordance with the Risk Management Strategy and processes. 'Red' rated risks with corporate implications can be escalated to CMT via Corporate Directors. Actions for all these risks are updated and managed by the Directorate risk leads and reviewed at Departmental Management Team meetings.

4.5   Project risks are currently managed through the Council's project management processes and monitored by the Corporate Delivery Board where applicable.

4.6   Operational risks, managed within Directorates, are also assessed as part of reviews undertaken by Internal Audit.

5.   Anti Fraud & Corruption Action Plan

5.1   Progress continues to be made in delivering the Fraud and Corruption Action Plan for the year. A full update will be presented to the June Audit Committee. However this quarter:

- the member induction briefing note was sent to all councillors and will be used as part of the induction process for any new members going forward

- a note was circulated to all staff to remind them to keep assets securely

- an online fraud awareness session is now available for general use, as well as being used as part of the induction process

- fraud awareness sessions have been delivered at another staff induction day as well as to school governors, clerks, headteachers, libraries, museums, pier and foreshore and cemeteries and crematorium staff

- refresher sessions have also been delivered to teams whose activities could make them targets for potential money laundering

- the leaflets, posters and cards have been produced and circulated widely across the borough

- the Corporate Fraud Investigations Team have had a stand in the foyer one lunchtime to raise awareness

- a data matching exercise was undertaken between Council Tax and Housing Tenancy data which mainly highlighted differences in information held on the two systems but no potential fraudulent issues. An exercise is now being undertaken with an external company to conduct credit checks against the housing stock address. This will highlight names of people applying for credit at those addresses which will then be compared against the tenancy records

- a further spot check was undertaken in December 2012 to try to identify miss use of Blue Badges

- an updated fair processing disclosure notice has now been agreed with the Information Governance team, so this will be circulated to services shortly

- initial discussion have been had with both the Agresso Support Team and RSM Tenon, who won the framework contract to provide audit and specialist services, about developing Computer Assisted Auditing Techniques (CAATs) with regards to the creditors and payroll systems, that help identify on a regular basis:

  - transactions that may potentially be fraudulent

  - potential data quality issues.

5.2 The intention is also to build a briefing on fraud, corruption and bribery into the induction process for those members who sit on the Licensing and Planning Committees.

5.3 Finally, some joint work is being done with RSM Tenon to ensure that the Corporate Fraud Investigation Team's operational framework is fit for purpose and enables them to effectively discharge this new role.

6.   Audit Commission's National Fraud Initiative (NFI) 2011

6.1 **Appendix 2** shows the current status of the NFI data matches where work was outstanding when this was last reported to the Audit Committee. Updates to the schedule are shown in **bold** for ease of reference.

6.2 Good progress has been made in reviewing the matches. Target completion dates for concessionary travel and housing tenants' matches have been revised due to a change in staff designated to complete this work and agreed with the relevant staff. To date, the Council has 17 cases of proven fraud valuing £51,165.84.

6.3 New Council Tax matches were released by the Audit Commission in February 2012 that relate to Single Person Discount. In 2011/12, the Council Tax team introduced an ongoing review of entitlement to Single Person Discount and will compare results from this exercise with the data matches recently released by the Audit Commission. This will determine the extent of investigations the team will need to undertake with regards to these new matches.

7.   Corporate Implications

7.1 Contribution to Council's Aims, Priorities and Outcomes

Work undertaken to reduce fraud and enhance the Council's anti fraud and corruption culture contributes to the delivery of all its aims, priorities and outcomes. The Corporate Risk Framework underpins the operational effectiveness of the Council's Corporate Governance arrangements and specifically monitors progress of managing key risks associated with the successful delivery of Corporate Aims and Priorities.

7.2   Financial Implications

Any financial implications arising from identifying and managing risk will be considered through the normal financial management processes.

Proactively managing risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

Proactive fraud and corruption audit work acts as a deterrent against financial impropriety and it might identify financial loss and loss of assets.

7.3   Legal Implications

The Accounts and Audit (England) Regulations 2011 section 4 (2) require that:

The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.

Therefore failure to do so would be a breach of a statutory duty.

7.4   People and Property Implications: None

7.5   Consultation: None

7.6   Equalities Impact Assessment: None

7.7   Risk Assessment

Failure to implement the framework which supports the delivery of the risk management policy and strategy and these policies increases the risk that Council objective's will not be delivered.

Failure to operate a strong anti fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

7.8   Value for Money and Community Safety Implications and Environmental Impact: None

8.   Background Papers

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.

- Association of Local Authority Risk Managers (ALARM) Publication: Managing the Risk of Fraud

- CIPFA Publication: Managing the Risk of Fraud

- Audit Commission Publication: Protecting the Public Purse: Local Government Fighting Fraud

9.   Appendices:

- Appendix 1: 2011/12 Corporate Risk Register

- Appendix 2: Audit Commission: National Fraud Initiative Update