

# Audit and Risk Committee Agenda

**16 December 2020 at 7pm**

**Remote Meeting**

**Membership**

Councillor N.M. Walsh (Chair)

**and Councillors**

D.J.R. Clark, P.H. Clark, N.A. Dudley J.S. Lardge, J.M.C. Raven,  
E.J. Sampson, M. Sismey, and M.D. Watson

Local people are welcome to attend this meeting remotely, where your elected Councillors take decisions affecting YOU and your City. There is also an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. If you would like to find out more, please telephone Daniel Bird in the Democracy Team on Chelmsford (01245) 606523 or email [daniel.bird@chelmsford.gov.uk](mailto:daniel.bird@chelmsford.gov.uk).

# Audit and Risk Committee

16 December 2020

## AGENDA

### 1. Apologies for Absence and Substitutions

### 2. Minutes

To consider the minutes of the meeting held on 25 November 2020

### 3. Declaration of Interests

All Members are reminded that they must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

### 4. Public Question Time

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 15 minutes is allotted to public questions/statements, which must be about matters for which the Committee is responsible.

The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to [committees@chelmsford.gov.uk](mailto:committees@chelmsford.gov.uk) 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting, provided they have indicated that they wish to do so and have submitted an email address to which an invitation to join the meeting and participate in it can be sent.

5. Announcements
6. Election of Vice Chair
7. Verbal Update on Statement of Accounts
8. Internal Audit Interim Report 2020/21
9. Risk Management Report
10. Counter Fraud and Investigations Annual Report 2020
11. Annual Report of Procurement & Sourcing Activities
12. Terms of Reference of the Treasury Management and Investment Sub-Committee
13. Audit and Risk Committee Work Programme
14. Urgent Business

To consider any other matter which, in the opinion of the Chair, should be considered by reason of special circumstances (to be specified) as a matter of urgency.

**MINUTES**  
of the  
**AUDIT AND RISK COMMITTEE**  
held on 25 November 2020 at 7pm

Present:

Councillor N.M. Walsh (Chair)

Councillors D.J.R. Clark, P.H. Clark, N.A. Dudley, J. Galley, J.M.C. Raven, E.J. Sampson, M. Sismey and C.R. Tron

### 1. Attendance and Apologies for Absence

Apologies for absence had been received from Cllrs Lardge and Watson. Cllrs Tron and Galley were their substitutes.

### 2. Minutes

The minutes of the meeting on 23 September 2020 were confirmed as a correct record.

### 3. Declarations of Interests

All Members were reminded to disclose any interests in items of business on the meeting's agenda and that they should do so at this point on the agenda or as soon as they became aware of the interest. They were also obliged to notify the Monitoring Officer of the interest within 28 days of the meeting, if they had not been previously notified.

### 4. Public Questions

There were no questions or statements from members of the public.

### 5. Announcements

No announcements were made.

## 6. 2019/20 Accounts/ Audit Opinion and Completion Certificate

The Committee considered a report from the Council's External Auditors, BDO, presented in accordance with the provision of the International Standards on Auditing (ISA 260). This required the Auditors to report to those charged with governance relevant matters arising from the audit prior to issuing the 2019/20 Statement of Accounts.

Officers informed the Committee that there had been significant improvements compared to last year's audit process, specifically in that communications had been improved between officers and the external auditors. It was noted that regular meetings had been held, in addition to the external auditors attending every meeting of the Committee. The Committee heard that new software had been used to track data exchanges between the Council and BDO that had helped everything to stay in one place, minimising the risk of missing documents. The Committee was also informed that the Council had retendered for their valuers to help facilitate the audit of this complex area, and some work in the area was outstanding.

The Committee noted that there was not a final set of accounts being presented at the meeting as had been originally intended for recommendation two in the report. The Committee heard that this was due to some areas of the audit not yet being completed, but officers were pleased to report that any changes to date had been on a presentational basis. The Committee heard that at the time of the meeting, no value for money or use of resources qualifications were anticipated. Officers informed the Committee of recommendation three, detailed in the report. It was noted that this recommendation would delegate the formal sign off for the accounts to the Chair in consultation with the Director of Finance. The Committee heard that it was hoped that this could be completed before the deadline of 30<sup>th</sup> November and a meeting between the Chair and BDO had been planned for this. It was clarified that if the audit was still not ready by that point that a notice would be posted on the website and the audited Accounts would be published as soon as possible. The Committee heard that if there were any significant issues, it would be at the Chair's discretion, to bring the accounts back to a future meeting to be agreed.

The external auditors attended the meeting to present their audit report, detailing the key sections and to answer any questions from the Committee. It was noted that there were still some areas of the audit to be completed, but that subject to that, no material misstatements or unadjusted audit differences were to be reported. The Committee were taken through the report and key sections were highlighted. These included, the overview of the audit risks reported in March, to which no changes had been identified, management override of controls, to which no matters were to report, valuation of land and buildings, which was still ongoing. The Committee heard that there were no matters to report in terms of revenue recognition and no identified issues in expenditure either. It was noted that values of land and properties were a significant part of the audit due to the size of the council's portfolio and further information had recently been received on this. The Committee heard that as guided by the RICS, valuers had included in their valuation costs a material uncertainty disclosure to reflect the impact of the pandemic. It was noted that in the audit opinion an

emphasis of matter paragraph would draw the reader's attention to this area. The external auditors also informed the Committee, that the valuation of pension liability had also be linked to the emphasis of matter paragraph too. It was noted that no matters had been identified from the related party transactions and members were reminded that suspicions of fraud could be raised with the auditors at any point. The Committee heard that there had been no concerns on the value for money risks and an unqualified opinion was expected, but it was reiterated that this related to the 2019/20 financial year and therefore had not been impacted significantly by the pandemic. The Committee were reminded of the outstanding matters detailed on page 43 of the agenda pack and it was noted that some of these had to be done at the end of the process due to potential impacts from other areas. The external auditors also noted that the management letter of representation attached as Appendix E would need to be signed and sent to them prior to finalising the audit.

The Committee thanked officers and the external auditors for their hard work in a difficult period and asked if the 30<sup>th</sup> November deadline would be met. It was noted by the external auditors that the deadline of 30<sup>th</sup> November was being worked towards by everyone, but no guarantees could be made that it would be met. This was due to potential issues arising at a late stage that may require further investigation.

RESOLVED that;

1. the audit completion report – ISA 260 (Appendix 1) be noted and,
2. that authority is delegated to the Chair of the Audit and Risk Committee, in consultation with the Director of Financial Services/Section 151 Officer, to approve any additional amendments to the Statement of Accounts and the letter of representation, arising out of any outstanding audit work, and to publish the final Statement alongside the audit opinion.

(7.01pm to 7.29pm)

## 7. Urgent Business

There was no urgent business for the meeting

The meeting closed at 7.29pm

Chair



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## Chelmsford City Council Audit and Risk Committee

16<sup>th</sup> December 2020

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### Internal Audit Interim Report 2020/21

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Report by:

Director of Financial Services

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Officer Contact:

Elizabeth Brooks, Audit Services Manager, [elizabeth.brooks@chelmsford.gov.uk](mailto:elizabeth.brooks@chelmsford.gov.uk)

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#### Purpose

This report summarises the work that Internal Audit has undertaken from April to November 2020 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council. It also highlights how responsive management have been in implementing recommendations.

#### Recommendations

Committee are requested to note the content of this report.

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#### 1. Introduction

- 1.1. The revised audit plan for 2020/21 was approved by Audit and Risk Committee in September 2020 (delay due to impact of Covid-19). We are on track to complete the revised audit plan by end March 2021. Deferrals may be needed to accommodate high priority/urgent pieces of work as necessary; these will, however, be discussed and agreed with management.
- 1.2. Since our last update to Committee, we have been successful in our bid to deliver Internal Audit services to Uttlesford District Council. The Audit Services Manager remains an employee of Chelmsford City Council but is seconded to UDC for 18 hours per week. It is not envisaged that this will have a detrimental impact to the delivery

of the Internal Audit service at Chelmsford, and the arrangement will be reviewed in March 2021.

## 2. Conclusion

2.1. The Internal Audit Interim Report 2020/21 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Interim Report 2020/21

Background papers: None

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### Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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Consultees: Noted by Service Managers and Management Team during November 2020

Relevant Policies and Strategies: None

1. Progress on Implementation of Internal Audit Recommendations

Directorate	Audit Title	Original Assurance Rating	Original Recommendations	Implemented	Position as at December 2020
Cross-Cutting	GDPR Governance	Moderate	1 High, 6 Medium, 1 Low	Partially	<p>Our follow up audit confirmed that:</p> <ul style="list-style-type: none"> <li>• 4 recommendations (3 medium, 1 low priority) have been implemented (within the limitations of Covid-19),</li> <li>• 2 recommendations (both medium priority) have been partially implemented; and</li> <li>• 2 recommendations (1 high and 1 medium priority) have not been implemented.</li> </ul> <p>It is understood that full implementation of the recommendations has been impacted by both Covid-19 and the development of the Council's new T1 system. See also section 3.1 (a).</p>
Cross-Cutting	Equality Impact Assessments	Limited	4 High, 1 Medium, 1 Low	Yes*	<p>Our follow up audit confirmed that:</p> <ul style="list-style-type: none"> <li>• 4 recommendations (2 high, 1 medium and 1 low) have been implemented;</li> <li>• 1 recommendation (high priority) has been partially implemented; and 1 recommendation (high priority) has been superseded.</li> </ul> <p>*The superseded and partially implemented high priority recommendations related to training which has been impacted by C.19 and will now be delivered in an alternative format.</p> <p>The findings from the original audit were indicative of a 'limited' assurance opinion. While a full audit would need to be undertaken to revise the assurance rating, the high rate of implementation of recommendations and positive action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is now indicative of 'moderate' assurance.</p>

Directorate	Audit Title	Original Assurance Rating	Original Recommendations	Implemented	Position as at December 2020
Public Places	Riverside	n/a – control advice	6 Medium	Yes	Our follow up audit confirmed that all six recommendations have been implemented.
Sustainable Communities	SEPP	Moderate	5 Medium, 1 Low	Yes	Our follow up audit confirmed that all six recommendations have been implemented.
Connected Chelmsford	Elections	n/a – control advice	1 Medium, 2 Low	Yes	Our follow up audit confirmed that all three recommendations have been implemented.
Public Places	Cemetery & Crematorium	Substantial	1 Medium	Yes	Our follow up confirmed that the recommendation has been implemented.

The 2020/21 review of the Digital Portfolio Office Pilot took in to account the findings and recommendations from the 2018 Limited Assurance Report for Digital Strategy. It was noted the risks raised in the previous audit report have been addressed by the new DPO process, and although some modifications were suggested to further strengthen these areas, there is evidence of a more robust process in place.

The planned follow up of the 2019/20 Use of Agency review (originally limited assurance) has been postponed due to further recent changes in process. This will be undertaken once the process has been implemented to test its effectiveness and the impact on the control environment.

## 2. Service Summaries

### 2.1. Cross-Cutting Reviews

#### a) Work Completed

Report Title	Assurance Rating	Critical	High	Medium	Low	Key Issues Arising
Digital Portfolio Office Pilot	Moderate	0	0	4	3	No critical/high priority findings were identified. It was noted that the risks raised in the previous 2018 limited assurance audit report for Digital Strategy have been addressed by the new DPO process, and although some modifications were suggested to further strengthen these areas, there is evidence of a more robust process in place. In addition, control design advice has been provided in relation to Post Project Review.
Emerging Issues from Covid 19	n/a – Management Letter	The purpose of this review was to undertake a high-level review, supplemented by discussions with key officers, of the Council’s response to Covid-19. For clarification, this review did not include a technical review of individual business continuity actions taken in respect of the Council’s response and whether they were in line with public health or civil contingency guidance/legislation. Instead the report provided a reasonable overview of the areas which have been successful since the original business continuity response ended, and areas which may benefit from further consideration.				
Cyber Security & Information Governance	n/a – Follow Ups	<p>Follow Ups were undertaken of 2019/20 reviews in these areas. The results were as follows:</p> <p><b><u>GDPR Governance</u></b></p> <p>In the previous report, 8 recommendations (1 high, 6 medium and 1 low priority) were made. Based on our discussions and the evidence presented, our follow up audit revealed that:</p> <ul style="list-style-type: none"> <li>• 4 recommendations (3 medium, 1 low priority) have been implemented (within the limitations of Covid-19),</li> <li>• 2 recommendations (both medium priority) have been partially implemented; and</li> <li>• 2 recommendations (1 high and 1 medium priority) have not been implemented.</li> </ul> <p>It is understood that full implementation of the recommendations has been impacted by both Covid-19 and the development of the Council’s new T1 system. As the risk profile for GDPR remains inherently high for the Council, we propose to continue to oversee the implementation of these recommendations as per the revised implementation dates, as well as look to deep dive into specific areas of GDPR risk in the 2021/22 audit plan.</p> <p><b><u>Cyber Security/Access Management</u></b></p> <p>Due in December 2020.</p>				

## b) Work in Progress as at December 2020

Audit Ref	Audit Title	Status
XC20_5	Medium Term Financial Strategy	Reporting due December 2020
XC20_6	Managing the Risk of Fraud	Reporting due December 2020

## c) Work Scheduled to 31st March 2021

Audit Ref	Audit Title	Indicative Scope
XC20_4	Homelessness and Rough Sleeping Strategy	Provide design advice for the Council's governance framework for delivering its new Homelessness and Rough Sleeping Strategy and for monitoring and reporting progress.
XC20_7	Internal and External Comms	Review of Council's policy regarding internal and external comms and use of Social Media. To include the policies and procedures for reviewing social media sites for investigative purposes to ensure they are in line with regulations and best practice.
XC20_8	Health and Safety	To review the governance arrangements in place for monitoring Health and Safety across the Council such as policies and procedures, risk assessment approach etc, following the Council's review by external H&S consultants.
XC20_9	Volunteers	Review of cross-service compliance with the Council's Volunteering Policy; to consider safeguarding risks.

## 2.2.Connected Chelmsford

### a) Work Scheduled to 31st March 2021

Audit Ref	Audit Title	Indicative Scope
CON20_3	Mayor's Office	Review of Mayoral processes and protocol

## 2.3.Financial Services and Housing

### a) Work Completed

Report Title	Assurance Rating	
T1 Implementation	n/a – Control Design Advice	Internal Audit have been providing ongoing control design advice and assurance, where appropriate, during the development of the Council's new finance system. Audit review and testing was undertaken where relevant, as the system was configured and tested, and ad hoc feedback has been provided during the course of the review.

### b) Work in Progress as at December 2020

Audit Ref	Audit Title	Status
FIN20_2	Housing Allocations	Reporting due December 2020.

### c) Work Scheduled to 31st March 2021

Audit Ref	Audit Title	Indicative Scope
FIN20_3	Key Financial Systems 2020/21	To include assurance over TASK (April to October 2020) and post-implementation assurance for T1 from November 2020. The recommendations raised in the 2019/20 review will also be considered.

d) Follow Ups scheduled to 31st March 2021

Original Audit Title	Original Assurance Rating
Corporate Property	Limited
Temporary Accommodation	Limited
BACS	n/a – Management Letter
Capital Expenditure	Moderate

2.4.Public Places

a) Work Scheduled to 31st March 2021

Audit Ref	Audit Title	Indicative Scope
PP20_1	Licencing	Review the arrangements for the issuing and monitoring of licences, including renewals.

b) Follow Ups scheduled to 31st March 2021

Original Audit Title	Original Assurance Rating
Safeguarding	Moderate
Fleet Management	Moderate
Housing Grants and Loans	Substantial

## 2.5.Sustainable Communities

### a) Work Scheduled to 31st March 2021

Audit Ref	Audit Title	Indicative Scope
SC20_2	On street parking and enforcement	To review the arrangements for on street parking and enforcement practices.
SC20_1	S106 Contributions	Review of the Council's compliance with S106 Planning obligations to ensure all funds are received and spent in line with policy and legal requirements.

### 3. Review of the Effectiveness of Internal Audit

**3.1.** Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with Public Sector Internal Audit Standards (PSIAS)
- Operates in an effective and efficient manner
- Is perceived by stakeholders as adding value and continually improving its operations.

**3.2.** Following the development of the Council's Risk Management Framework during 2019, it is now possible to align the work of Internal Audit and Risk, and this is now reflected in the Internal Audit Methodology. Our protocol now reflects the engagement of Risk at both terms of reference and reporting stage, to ensure that identified key risks are included in our scope and emerging risks from audit findings are captured by the risk framework and provide independent assurance on control activities being undertaken. There is also clear alignment between the Council's risk definitions and internal audit risk ratings.

**3.3.** In accordance with PSIAS Standard 1311, internal assessments are undertaken through both on-going and periodic reviews. Ongoing assessments are conducted through:

- Audit Service Manager supervision of engagements and regular 1:1s with audit team to monitor progress with audit assignments.
- Audit Methodology, protocols and templates used for each engagement to ensure compliance with applicable planning, fieldwork and reporting standards.
- Monitoring of internal KPIs established to improve the effectiveness and efficiency of Internal Audit
- Feedback from customer surveys at the conclusion of each engagement
- Prior to release, all draft and final terms of references, draft and final reports (or other outputs), as well as Risk and Control Matrices (and associated working papers) are reviewed and approved by Audit Services Manager.

**3.4.** Internal Audit's performance against its KPIs for 2020-21 will be formally reported in its 2020-21 Annual Report.

#### 4. Key to Assurance Levels in Individual Reports

<b>No Assurance</b>	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
<b>Limited</b>	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
<b>Moderate</b>	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
<b>Substantial</b>	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be advice and best practice.

#### 5. Key to Risk Ratings for Individual Findings in Reports

<b>Critical</b>	<b>Financial:</b> Severe financial loss; <b>Operational:</b> Cessation of core activities. <b>People:</b> Life threatening or multiple serious injuries to staff or service users or prolonged work place stress. Severe impact on morale & service performance. Mass strike actions etc; <b>Reputational:</b> Critical impact on the reputation of the Council which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. <b>Legal and Regulatory:</b> Possible criminal, or high-profile civil action against the Council, members or officers. Statutory intervention triggered impacting the whole Council. Critical breach in laws and regulations that could result in material fines or consequences. <b>Projects:</b> Failure of major Projects and/or politically unacceptable increase on project budget/cost. Elected Members required to intervene.
<b>High</b>	<b>Financial:</b> Major financial loss. Service budgets exceeded; <b>Operational:</b> Major disruption of core activities. Some services compromised. Management Team action required to overcome medium-term difficulties. <b>People:</b> Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff. <b>Reputational:</b> Major impact on the reputation of the Council. Unfavourable media coverage. Noticeable impact on public opinion. <b>Legal and Regulatory:</b> Major breach in laws and regulations resulting in significant fines and consequences. Scrutiny required by external agencies. <b>Projects:</b> Key targets missed. Major increase on project budget/cost. Major reduction to project scope or quality.
<b>Medium</b>	<b>Financial:</b> Moderate financial loss. Handled within the team; <b>Operational:</b> Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required. <b>People:</b> Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some work days lost. Some impact on morale and performance or staff. <b>Reputational:</b> Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage. <b>Legal and Regulatory:</b> Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation. <b>Projects:</b> Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.
<b>Low</b>	<b>Financial:</b> Minor financial loss; <b>Operational:</b> Minor errors in systems/operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users. <b>People:</b> Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale. <b>Reputational:</b> Minor impact on the reputation of the organisation. <b>Legal and Regulatory:</b> Minor breach in laws and regulations with limited consequences. <b>Projects:</b> Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.



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## Chelmsford City Council Audit and Risk Committee

16 December 2020

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### Risk Management Report - Autumn/Winter 2020

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Report by:

Director of Financial Services

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Officer Contact:

Alison Chessell, Procurement and Risk Services Manager, [alison.chessell@chelmsford.gov.uk](mailto:alison.chessell@chelmsford.gov.uk)

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#### Purpose

This report:

- outlines our progress towards the immediate priorities for 2020-21 for the risk management function identified in the May risk management report
- provides a summary of the Council's Principal Risks, taking account of the ongoing Covid-19 pandemic

#### Recommendation

Audit and Risk Committee are requested to note the contents of the report, including the Principal Risk Summary as at 25 November 2020.

#### 1. Background

1.1. It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated with our plans and strategies, so as to:

- encourage responsible, informed risk taking
- reduce exposure to a tolerable level using a justifiable level of resources

- 1.2. An effective risk management framework should:
  - provide risk information to support decision-making and resource allocation
  - improve compliance with policies, procedures, laws and regulations and stakeholder expectations; and
  - provide assurance to internal and external stakeholders that the Council is well-managed
- 1.3. The risk management function assists the Council to identify, understand and manage its risks. It also reports twice a year to the Audit and Risk Committee to enable the Committee to monitor the effective development and operation of risk management in the Council.

## 2. Priorities for 2020-21

- 2.1 With the onset of Covid-19, rather than issue a full Risk Management Strategy for 2020-21, three main priorities for Risk were agreed by Management Team, as previously noted by this Committee (May 2020). These can be summarised as follows:
  - **Priority 1** - Report to Management Team in the format and frequency required to meet their needs in managing Covid-19 related business risk
  - **Priority 2** - Progress the Council's new Performance Planning module, which is set to replace Pentana Risk as the Council's new risk management information system (RMIS)
  - **Priority 3** - Review the Council's risk criteria after the first full year of operation to ensure that they are fit for purpose
- 2.2 Progress on each of these priorities is outlined below.

## 3. Principal Risk Summary as at 25 November 2020 (including Covid-19)

- 3.1 In their meeting of 13 May, Management Team confirmed that Covid-19 related business risks would be reported through the Principal Risk Register.
- 3.2 The Principal Risk Register is central to the risk management framework. Principal Risks (which may include strategic, operational, project or compliance risks) are those which require regular oversight at senior level. Management Team receive the full risk register quarterly to inform their decision making, ensuring that, where necessary, prompt and effective action is taken to further mitigate risks outside the Council's indicative risk appetite (see also 5.1).
- 3.3 A summary of the Council's Principal Risks can be found in **Appendix 1**. Much of the detailed information contained within the underlying risk register is operational and may, in some cases, be sensitive. Councillors are, therefore, invited to request further detail on risks of particular interest or concern to them for circulation after the meeting.

3.4 Due to the pervasive nature of the Covid-19 threat, its implications for the Council are considered throughout the Principal Risk Register, rather than identifying a separate risk in isolation.

3.5 The most significant changes to the register since the previous submission are as follows:

- **Income and Financial Position (PRR 019)** – With the net budget shortfall for 2020/21 now expected to be at least £3m, occurrence is raised from ‘Likely’ to ‘Very Likely’, and the consequence rating from ‘Major’ to ‘Severe’. This scoring also reflects the significant change of diverting capital resources to revenue, which can only be done in the short term and also increases ongoing revenue costs via higher debt charges. The Council continues to lobby for additional government support commensurate with the losses expected to be incurred during the pandemic and for a sustainable financial settlement moving forward.
- **Homelessness (PRR 006)** – Demand continues to rise due to the socioeconomic impact of the pandemic. This, coupled with further limitations on housing supply arising from immediate Covid-19 restrictions, means that occurrence is now considered ‘Very Likely’. The Strategic Housing Service continues to work with social housing providers and all partners to manage response and capacity. The Local Homelessness Forum will provide a useful conduit for the Council to seek constructive engagement from local groups.
- **Emergency Planning Response (PRR 004)** - Due to the medium-term nature of the Covid-19 response, the Essex Resilience Forum has asked the Council to review its capacity to respond in the event of a second emergency incident. It is felt that the Council would be able to respond initially; however, if serious flooding were to occur this Winter, with a comprehensive response required over an extended period, other Council services may begin to suffer (as the emergency response would have to take priority); therefore potential consequences are raised from ‘Major’ to ‘Severe’. The Council continues to work closely with other Category 1 responders through the Essex Resilience Forum.
- **Chelmer Waterside Development (PRR 012)** - Despite some minor delays, significant progress has been made on this project in recent months. As the Council’s financial exposure increases, the consequence rating has been raised from ‘Moderate’ to ‘Major’, resulting in a shift from Medium to High Risk. This is in line with expectations for a project of this nature.
- **Finance System Replacement (PRR 010)** – With the main elements of the new financial system now live, the Council is no longer reliant upon an unsupported legacy system and therefore, the consequences for the Council in terms of resilience are reduced from ‘Severe’ to ‘Moderate’. However, given the difficult financial climate, and the increased demands on staff, the likelihood of the Council being unable to realise the full benefits of the system has been increased from ‘Remote’ to ‘Possible’.
- **UK Transition Exit (PRR 022)** – The risk that the UK will be unable to reach a trade agreement with the EU by the end of the transition period has been considered separately. With the Council having previously prepared for the UK’s departure from

the European Union without any guaranteed transition period, the immediate risk to the Council is considered Medium overall.

3.6 Any apparent lack of change in other risk scores is not a direct reflection of the level of work carried out by Services or the Council as a whole, as:

- Measures to mitigate some risks are, by necessity, medium or long-term in nature
- Some risks may be heavily influenced by external factors outside the Council's control
- Where inherent risk is increasing, additional work may have been undertaken to maintain the same current risk level

#### 4. OneCouncil Performance Planning implementation

4.1 The OneCouncil Performance Planning module, alongside the Council's new finance system, is part of the Council's Enterprise Resource Planning (ERP) suite. While the overall aim of ERP is to improve Council efficiency by integrating as many back office systems as possible, benefits specific to the Performance module include:

- a more user friendly interface, accessible through the Council's Office 365 single sign on arrangements
- more effective tracking of strategic action plans (including 'Our Plan')
- more efficient reporting of risk and performance, enabling further development of the Council's risk and performance framework
- improved integration of financial and non-financial risk and performance information (giving users a 'single view of the truth')

4.2 The initial build for the OneCouncil Performance Planning module is now complete with data for the Council's Principal Risks, the Our Chelmsford Our Plan action plan and the Climate and Ecological Emergency action plan now uploaded to the new system. A soft launch began in November and use of the system will continue to develop throughout 2020/21, as management submit their first progress updates online and this data is then used to tailor the system's reporting capabilities to best meet the Council's needs.

#### 5. Risk Criteria Review

5.1 The Council's risk criteria, used to prioritise risks for management attention, should be periodically reviewed to ensure that they remain fit for purpose. While the use of the criteria has generally been successful in their first full year of operation, certain changes were approved by Management Team on 25 November 2020. These include:

- A change in terminology from 'impact' to 'consequence' in line with ISO3100:2019 and the implementation of OneCouncil
- A new 'catastrophic' consequence category to better accommodate high consequence, low likelihood events, including inherent risk arising from the Covid-19 pandemic
- Rank order scoring to improve prioritisation

- An indicative risk appetite to enable target risk to be identified as the risk framework develops

5.2 The new risk criteria can be seen in use in the latest Principal Risk Summary in **Appendix 1**.

## 6. Conclusion

6.1 Members are invited to note the ongoing work by Directors and Service Managers to manage the Council's Principal Risks, including the impacts of Covid-19, along with the continuing development of the Council's risk management framework.

### List of appendices:

Appendix 1 – Principal Risk Summary as at 25 November 2020

### Background papers:

None

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### Corporate Implications

Legal/Constitutional: The Council has a legal duty to ensure that it has a sound system of internal control, which includes effective arrangements for the management of risk (Regulation 3 (Part 2) of the Audit and Accounts Regulations 2015). The risk management framework encourages risk owners to consider the potential legal and regulatory consequences, should a risk event occur.

Financial: The risk management framework encourages risk owners to consider the potential financial consequences, should a risk event occur.

Potential impact on climate change and the environment/ Contribution toward achieving a net zero carbon position by 2030: Reputational consequences, with the risk management framework, encourage risk owners to consider environmental aspects of their activities.

Personnel: The corporate risk management framework is being implemented within existing staff budgets (approximately 1.0 FTE). See also Health & Safety below.

Risk Management: Effective risk management is an essential part of good governance, providing assurance to internal and external stakeholders that the Council is well-managed. This report is intended to enable the Committee to fulfil its role in overseeing the effective operation and development of risk management at the Council.

Equality and Diversity: Equalities implications of Council activities are considered at initiative level.

## Agenda Item 9

Health and Safety: The risk management framework encourages risk owners to consider the potential safety, health and wellbeing implications for staff and/or service users, should a risk event occur.

Digital: The Performance Planning module is part of OneCouncil, the Council's Enterprise Resource Planning (ERP) system. ERP aims to increase efficiency and improve performance by integrating back office systems and is key to the Council's Digital Strategy.

Other: In addition, each of the above areas may be considered, where relevant, as separate entries in the Principal Risk Register.

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### Consultees:

Management Team, Director of Financial Services, Audit Services Manager

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### Relevant Policies and Strategies:

Our Chelmsford, Our Plan; Internal Audit Revised Plan 2020-21

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Principal Risk Summary as at 25 November 2020 (current risk from highest to lowest)

Ref	Risk Title	Risk Category	Risk Source	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Trend	Risk Event	Covid-19 impact	
PRR 019	Income and Financial Position	Financial	Economic (ext.)	All Themes	Amanda Fahey	Very High	22	↑	The sustainability of the Council's financial position is challenged	Strongly affected	Unprecedented loss of income; continued uncertainty over government funding
PRR 006	Homelessness	Operations	Social (ext.)	Fairer and Inclusive Chelmsford	Amanda Fahey	Very High	19	↑	Inability to meet our statutory obligations to the homeless (and/or use our statutory powers to assist the homeless) promptly, effectively and efficiently	Strongly affected	Sharp increase in demand for temporary accommodation, with Covid restrictions affecting (already inadequate) supply
PRR 014	Health and Safety	Legal and Regulatory	Staffing (int.)	Safer and Greener Place	Keith Nicholson	Very High	18	▬	A serious health and safety incident occurs	Strongly affected	Maintaining Covid security of services and workplaces; staff wellbeing due to Covid response fatigue/ extended remote working
PRR 004	Emergency Planning Response	Operations	Resilience (int./ext.)	Safer and Greener Place	Keith Nicholson	Very High	18	↑	Ineffective emergency planning response breaches the Council's duties under the Civil Contingencies Act	Strongly affected	Any prolonged response required to a second incident (e.g. flooding) may begin to impact core services
PRR 001	Cyber Security	Operations	Technology (ext.)	All Themes	Louise Goodwin	Very High	18	▬	Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations	Strongly affected	Increased cyber activity during times of significant disruption; reliance on remote working

Principal Risk Summary as at 25 November 2020 (current risk from highest to lowest)

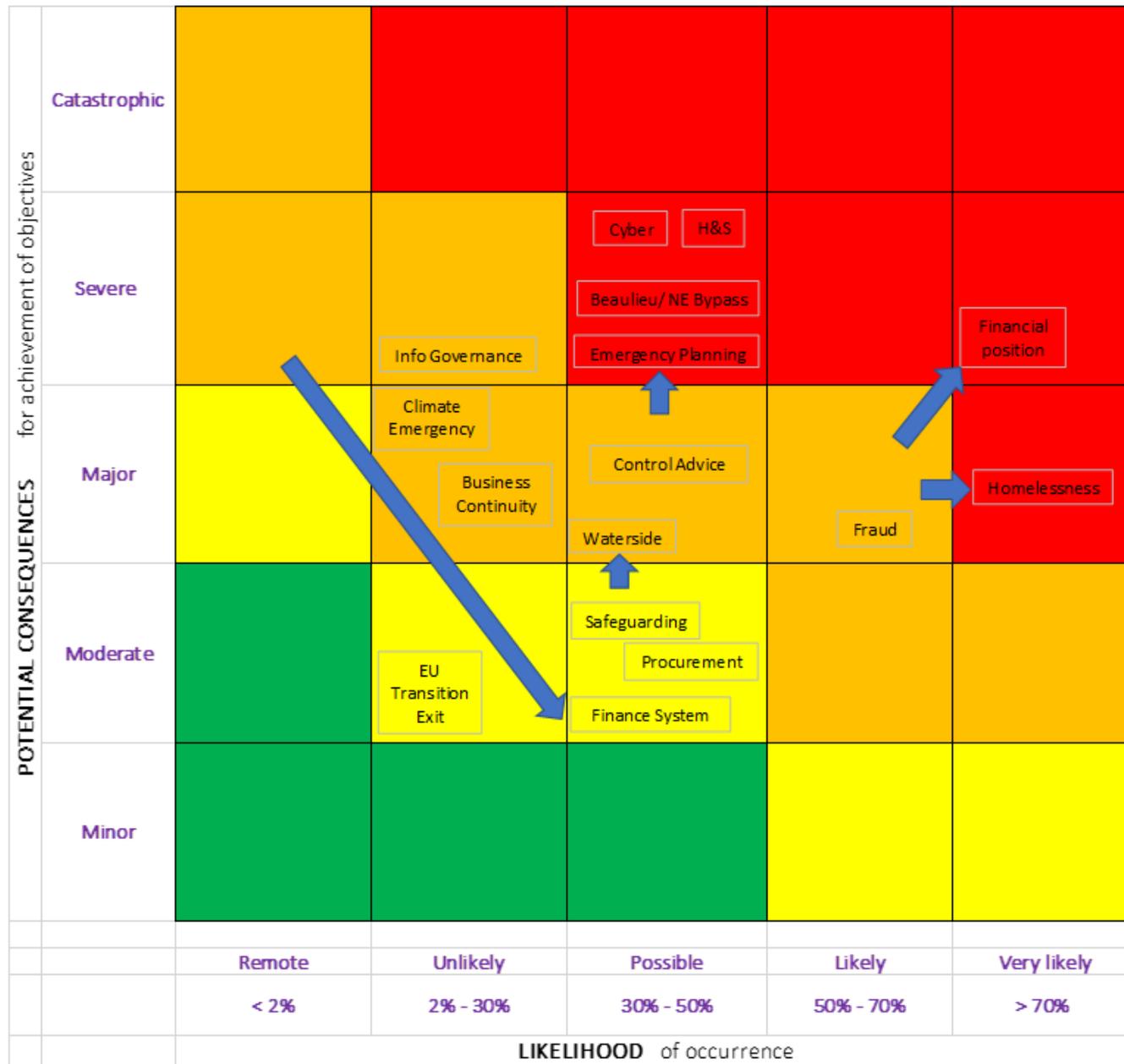
Appendix 1 (cont.)

Ref	Risk Title	Risk Category	Risk Source	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Trend	Risk Event	Covid-19 impact	
PRR 020	Beaulieu Station & Chelmsford NE Bypass	Projects	Political (ext.)	Fairer and Inclusive Chelmsford	David Green	Very High	18		Funding is partially or wholly withdrawn resulting in non-delivery of key infrastructure.	Limited or no effect at present	Progress is on track
PRR 005	Fraud	Financial	Economic (ext.)	All Themes	Amanda Fahey	High	16		Major fraud attempt (potentially undetected) is successful and there is little or no recourse for the Council	Strongly affected	Increased opportunity and motivation, particularly in respect of government grants
PRR 016	Information Governance	Legal and Regulatory	Governance (int.)	All Themes	Louise Goodwin	High	15		A serious data breach occurs and/or other significant instance of non-compliance with data legislation	Partially affected	GDPR Action Plan in progress; some activities delayed to focus on data sharing advice for Covid-19
PRR 012	Chelmer Waterside Development	Projects	Economic (ext.)	Safer and Greener Place	David Green	High	14		The housing and other development potential of Chelmer Waterside is not realised in accordance with the new Local Plan	Limited or no effect at present	Future potential impact of economic slowdown not yet materialised
PRR 018	Independent Control Advice	Legal and Regulatory	Governance (int.)	All Themes	Amanda Fahey	High	14		Control weaknesses identified by independent assurance providers persist to the detriment of the Council and its stakeholders	Partially affected	Service Manager capacity focussed on the response

Ref	Risk Title	Risk Category	Risk Source	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Trend	Risk Event	Covid-19 impact	
PRR 003	Business Continuity Response	Operations	Resilience (int./ext.)	Safer and Greener Place	Keith Nicholson	High	13		Ineffective business continuity response enables an event to disrupt Council operations to a greater extent than planned for	Strongly affected	BC response is effectively ongoing; review activities to focus on IT Disaster Recovery and Finance (new IT system)
PRR 021	Climate and Ecological Emergency	Reputation	Political (ext.)	Safer and Greener Place	Keith Nicholson	High	13		The Council fails to effectively engage with the environmental agenda	Partially affected	Face-to-face events replaced with virtual engagement
PRR 017	Procurement Strategy	Financial	Political (ext.)	All Themes	Amanda Fahey	Medium	9		Procurement activity takes place which is not in the best interests of the Council and its stakeholders and/or is in breach of legislation	Limited or no effect at present	After crisis response,, BAU has resumed
PRR 010	Finance System Replacement	Projects	Governance (int.)	All Themes	Amanda Fahey	Medium	9		The intended benefits of the new finance system are not realised in full	Partially affected	Capacity of finance staff
PRR 015	Safeguarding	Legal and Regulatory	Social (ext.)	Safer and Greener Place	Keith Nicholson	Medium	9		A safeguarding incident occurs which, through action or omission by the Council, might otherwise have been prevented	Limited or no effect at present	Referrals unaffected; shielding responsibilities may resume in Winter in some form
PRR 022	EU Transition Exit	Operations	Political (ext.)	All Themes	Keith Nicholson	Medium	7	NEW	The UK is unable to reach a trade agreement with the EU by the end of the transition period, due to expire on 31 December 2020	Limited or no effect at present	If realised, will place additional burden on all Essex local authorities

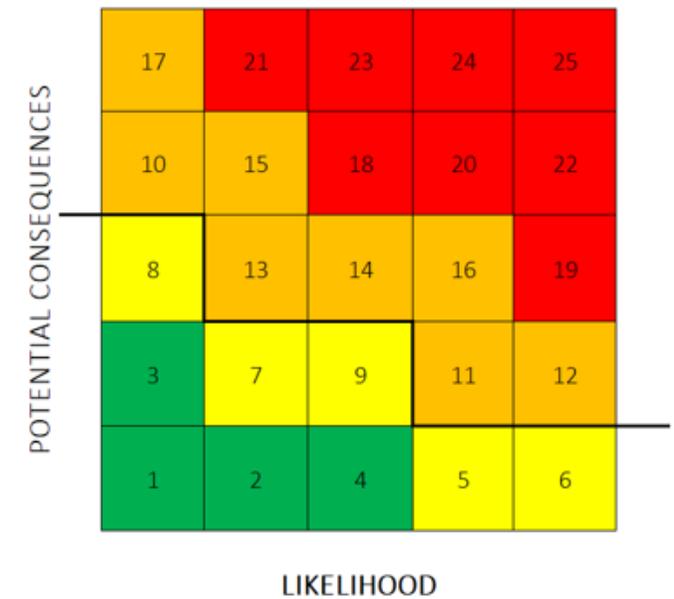
Principal Risk Summary as at 25 November 2020 – Heat Map (current risk)

Appendix 1 (cont.)



Risk score	Risk level	Management response
18 to 25	Very High Risk	Critical - Immediate action required
10 to 17	High Risk	Concerned - Action required (exceeds appetite)
5 to 9	Medium Risk	Cautious - Action required (to ensure appetite is not exceeded)
1 to 4	Low Risk	Comfortable - monitor and review (low cost/efficiency measures only)

Indicative risk appetite



Principal Risk Summary – Key to Consequence ratings

Appendix 1 (cont.)

	FINANCIAL	OPERATIONS	PEOPLE	REPUTATION	LEGAL & REGULATORY	PROJECTS	AUDIT
CATASTROPHIC	Catastrophic financial loss. (>£20 million*)	Permanent cessation of core activities	Multiple fatalities.	Future viability of the organisation threatened.	External control of the Council assumed.	Repeated failure of high-profile projects. All discretionary funding withdrawn.	Critical Priority
SEVERE	Severe financial loss (>£1 million *)	Extended disruption of core activities in excess of normal recovery timescales, with adverse impact on the wider community..	Life-threatening or multiple serious injuries (to staff or service users) or prolonged workplace stress. Severe impact on morale and service performance. Mass strike actions etc.	Critical impact on the reputation or brand of the organisation. Intense political and media scrutiny i.e. national front-page headlines, TV.	Possible criminal, or high-profile civil action against the Council, Members or officers. Statutory intervention triggered with impact across the whole Council. Critical breach in laws and regulations that could result in severe fines or consequences.	Failure of major projects and/or politically unacceptable increase on project budget/cost. Elected Members are required to intervene.	
MAJOR	Major financial loss. Service budgets exceeded (£200k to £1 million*)	Disruption to core activities. Some services compromised. Management Team action required to overcome medium-term difficulties.	Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff.	Major impact on the reputation or brand of the organisation. Unfavourable media coverage. Noticeable impact on public opinion.	Major breach in laws and regulations resulting in major fines and consequences. Scrutiny required by external agencies.	Key targets missed. Major increase on project budget/cost. Major reduction to project scope or quality.	High Priority
MODERATE	Moderate financial loss. Handled within the team (£50k to £200k*)	Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required.	Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance or staff.	Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage.	Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation.	Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.	Medium Priority
MINOR	Minor financial loss (< £50k*)	Minor errors in systems/ operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users.	Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale.	Minor impact on the reputation of the organisation.	Minor breach in laws and regulations with limited consequences.	Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.	Low Priority



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## Chelmsford City Council Audit and Risk Committee

16 December 2020

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### Counter Fraud and Investigations Annual Report 2020

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Report by:

Director of Financial Services

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Officer Contact:

Alison Chessell, Procurement and Risk Services Manager, [alison.chessell@chelmsford.gov.uk](mailto:alison.chessell@chelmsford.gov.uk)

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#### Purpose

This report summarises the key principles for combatting fraud for the forthcoming period along with some longer term strategic aims.

The report also sets out the key work achievements for 2020, the planned work for the forthcoming calendar year, highlights some of the current and emerging areas of fraud risk, including those related to the COVID-19 pandemic, and provides a conclusion on the effectiveness of the Council's arrangements to minimise the risk of fraud.

#### Recommendation

Audit and Risk Committee are requested to note the contents of the report.

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1. Background

- 1.1. The role of the counter fraud function is to take steps to minimise the risk of fraud, bribery and corruption occurring within and against the Council.
- 1.2. The fraud function supports the requirements of the Accounts and Audit Regulations 2015, which state that the Council must have measures in place “to enable the prevention and detection of inaccuracies and fraud.” In this context, we have taken fraud to include the risk of bribery and corruption.

2. Review of Counter Fraud Policies and Procedures

- 2.1 Effective policies and procedures are essential to ensure that all officers and Members are aware of their roles and responsibilities in identifying and managing the risk of fraud. Work was undertaken in the following areas during 2020.

*Counter Fraud Strategy*

- 2.2 A new Counter Fraud Strategy was approved by the Audit and Risk Committee in 2019. This strategy meets the requirements of CIPFA’s Code of Practice on Managing the Risk of Fraud and Corruption. The strategy has been reviewed in 2020 and no material changes were considered to be necessary.

*Anti-Money Laundering Procedure*

- 2.3 The Council’s anti-money laundering procedure has been reviewed and amended to take into account the requirements of the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017, and the 5th Anti-Money Laundering Directive. Although the Council is classed as an exempt body under the Regulations, it is considered good practice to carry out appropriate measures to minimise the risk that the Council or its employees may commit an offence under the relevant provisions of the Terrorism Act 2000 or the Proceeds of Crime Act 2002.

*CIPFA Code of Practice on Managing the Risk of Fraud and Corruption*

- 2.4 In 2014, CIPFA issued the “Code of Practice on Managing the Risk of Fraud and Corruption”. Although the Code is not currently mandatory, it represents best practice and compliance with the Principles set out in the Code enable the Council to demonstrate effective financial stewardship of public monies.

2.5 An internal assessment against the Code was last carried out in 2018-19 and identified a 90% compliance with all areas of the Code, which is classed as a “Good” level of compliance. CIPFA have recently consulted on revisions to the Code and supporting self-assessment toolkit, therefore the next full assessment will be carried out using the updated guidance. See Appendix 1 for further detail.

### 3. Planning to Minimise the Risk of Fraud

#### *Risk Assessment*

3.1 The Counter Fraud and Internal Audit planning processes include a specific fraud risk assessment to ensure that all relevant risks are identified and to support the development of a programme of proactive anti-fraud work that minimises the risk of loss to the Council. Risks are identified from a number of sources, including:

- CIPFA’s annual Counter Fraud and Corruption Tracker Survey
- “Fighting Fraud and Corruption Locally: A Strategy for the 2020s” – the local government counter fraud strategy
- Intelligence gained from networking with other authorities via the Essex Fraud Group.
- Outcomes from previous Internal Audit reviews and investigations
- Outcomes from the work of the Counter Fraud Unit
- Feedback from managers on areas where they have identified control weaknesses that may increase the risk of fraud

3.2 The risk of Fraud is identified as Principal Risk on the Council's Risk Register and reported in detail to Management Team every quarter and to Audit and Risk Committee twice yearly. The detailed Principal Risk Register entry for Fraud (last updated in November 2020) is attached in Appendix 2.

3.3 Principal Risks show a strategic view. To support this, the counter fraud function carries out a more detailed, operational risk assessment. The spread of COVID-19 has created potentially significant changes to the fraud risks faced by the Council, some of which will be short-term, others of which are likely to have a longer-lasting impact. Emerging fraud risks are discussed in Section 5 below.

#### *National Fraud Initiative (NFI)*

3.4 The full NFI data matching exercise is carried out every two years (mandatory). The data matched is: Council Tax Benefits and Single Person Discounts; payroll; creditor payments; insurances; parking permits; and licences. Preparation for the next full exercise commenced in August 2020 with the data being uploaded in October 2020, the results of these matches will be available February 2021 and will be investigated as resources allow.

#### *Business Rates*

- 3.5 The significant interruption to most businesses caused by the COVID-19 outbreak led the government in March 2020 to introduce the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund schemes. These required councils to disburse a significant amount of money (£12.3 billion nationally) in a short period of time, whilst minimising the risk of fraud and error. Staff from Revenues and Benefits, Internal Audit and the Counter Fraud Unit have been involved in the due diligence processes for awarding these grants, which has reduced the risk of fraudulent applications being made.
- 3.6 The Cabinet Office and NAFN developed products for authorities to use to enhance their ability to check and verify companies and sole traders applying for the COVID grants. The Council has also worked closely with other authorities in the region to develop best practice and identify any potential risk issues. It is likely that this activity will support future data matching and data sharing work in this area.

*Serious and Organised Crime*

- 3.7 There has been an increasing recognition that serious and organised crime can occur across all communities, and those who are most vulnerable are frequently targeted by organised crime groups. The Council already works in partnership with law enforcement partners on a number of community safety issues: many criminals involved in serious and organised crime also commit low level criminal offences that can be enforced by local councils, such as benefit fraud. In order to support this work, staff from the Counter Fraud Unit share intelligence with Police Authorities.

4. [Developing Corporate Counter Fraud Capacity](#)

- 4.1 The remit of the counter fraud function is to undertake both proactive and reactive counter fraud work, and address all fraud risks facing the council, both internally and externally. The objectives for the function are:
- to investigate potential cases of fraud, debt or error across the Council, both internal and external;
  - to undertake proactive work in key fraud risk areas; and
  - to investigate areas for sharing data and working jointly with partners, including registered housing providers, DWP, Police and other councils.
- 4.2 The Council is required to ensure that it has appropriate resources to manage the risk of fraud and corruption. Since the counter fraud function was established in September 2015, the dedicated resource has remained the same at 1 FTE.
- 4.3 The Council continues to develop its joint working arrangements with various Local Authorities to ensure that there is an effective exchange of intelligence and best practice: this includes DWP joint working and tenancy fraud. This will improve the identification of fraud risks and the development of effective preventive and detective measures.

- 4.4 The Council subscribes to the National Anti-Fraud Network (NAFN), which promotes the sharing of information between Authorities and publishes regular bulletins on fraud cases and attempted scams. We also receive and circulate intelligence from other organisations such as the National Fraud Intelligence Bureau and from neighbouring authorities.
- 4.5 In February 2019, the Counter Fraud Unit commenced joint working with the Department for Work and Pensions (DWP) where cases involve both DWP benefits and Council Tax Support and meet the thresholds for prosecution. A number of cases were referred to DWP and some joint investigations were commenced, but issues with Universal Credit (UC) advance payments earlier in the year, and the recent increase in UC claims arising from the COVID-19 pandemic has meant that DWP are unlikely to have the resource to undertake further joint working for the foreseeable future. Where possible, investigations will proceed on the basis of the Council Tax Support element of the claim only.
- 4.6 The counter fraud work programme for Chelmsford for the forthcoming year is set out in Appendix 3. The delivery of other elements of this programme will be heavily dependent on the level of resource required during the year to mitigate the risks related to COVID-19 and other mandatory tasks such as NFI.

### 5. [Emerging Risks 2020: responding to the COVID-19 pandemic](#)

- 5.1 The COVID-19 pandemic has generated, or increased, a significant number of fraud-related risks for local government and the wider community. It has also created a highly fluid situation in which immediate responses to some risks have been required, which has impacted on the ability of all councils to continue managing some of their existing fraud risks. Full consideration of any medium and long-term changes to the Council's fraud risk environment will be made during 2021, but some of the immediate impacts are detailed in Appendix 4. It should be noted that these are generic risks that will apply to all Councils and that there is currently no evidence that the risks to Chelmsford are higher than elsewhere.

### 6. [The use and promotion of Accredited Financial Investigator Services](#)

- 6.1 The team's Proceeds of Crime capabilities will continue to be marketed to other authorities with Memorandum of Understanding (MoU) in place with four neighbouring Councils
- 6.2 There is one ongoing PoCA investigations with a neighbouring Authority which is a planning case which is due for an initial hearing at the end of November.

6.3 There has been one successful PoCA investigation on behalf of Tendring District Council:

- Tendring District Council (TDC) prosecuted David Eve, 46, of Great Totham, who was sole director of Standing Ovation Entertainments Ltd.
- Eve was sentenced at Chelmsford Crown Court over a single charge of between January 1, 2015 and June 1, 2017, knowingly carrying on a business with intent to defraud creditors of that company, after he was convicted following a two-week trial earlier in the year.
- Eve received a 15-month prison sentence, suspended for two years. He was also ordered to pay £108,942 in compensation and £35,800 towards prosecution costs, and disqualified him from being the director of a company for three years.
- Standing Ovation Entertainments Ltd provided the box office for the TDC-run Princes Theatre from October 2012 until January 2017.
- At trial the court heard Eve had not ring-fenced income from ticket sales to hand over to TDC, and instead used the cash to pay off other debts. He had continued to operate the business and failed to inform TDC of the company's financial problems, despite making a steadily worsening loss.
- When questioned by TDC over the issues, he put forward a repayment plan lasting ten years, which was described by the judge as trying to "bully your way out" with a "ludicrous" settlement figure.
- Overall, the company owed TDC around £112,000, though just more than £3,000 has since been repaid as part of the liquidation of Standing Ovation Entertainments.
- Chelmsford City Council will receive £2,600 in income for this work undertaken.

## 7. Conclusion

7.1 The wide range of the activities and incidents covered in this report highlights the extent to which fraud and error exist as risks to the achievement of the Council's objectives and the degree to which these risks can change over time. There are programmes of work in place across the Council to identify and investigate fraud risks and there is effective communication between the services involved.

7.2 Our conclusion is that the Council had effective measures in place during to enable the prevention and detection of inaccuracies, fraud and error. Work will continue to ensure that the Council responds effectively to all fraud risks, including those arising from the COVID-19 pandemic.

### List of appendices:

Appendix 1 - CIPFA – Fighting Fraud and Corruption Locally

Appendix 2 - Principal Risk Register entry for Fraud (last updated in November 2020)

Appendix 3 - Counter Fraud, Bribery and Corruption Plan Objectives for 2021

Appendix 4 - Covid-19 Emerging Fraud Risks

**Background papers:**

CIPFA – Fighting Fraud and Corruption Locally: A strategy for the 2020s

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**Corporate Implications**

Legal/Constitutional: The Council has a legal responsibility to minimise the risk of fraud.

Financial: The risk of fraud has a negative impact on the Council’s financial position.

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: Internal Fraud risks are considered within the Fraud risk assessment

Risk Management: Fraud has been identified as a principal risk and monitored by Management Team and Audit and Risk Committee

Equality and Diversity: None

Health and Safety: None

Digital: The new Enterprise Resource Planning System has additional fraud controls in place for certain processes.

Other: None

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**Consultees:**

Senior Financial Investigations Officer, Internal Audit Services Manager, Risk Manager

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**Relevant Policies and Strategies:**

As set out in Section 2 above.

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## Appendix 1 - Fighting Fraud and Corruption Locally Strategy

“Fighting Fraud and Corruption Locally” is the counter fraud and corruption strategy for local government. By using this strategy local authorities will:

- develop and maintain a culture in which fraud and corruption are understood to be unacceptable;
- understand their fraud risks and prevent fraud more effectively;
- use technology to improve their response;
- share information and resources more effectively to prevent and detect fraud loss;
- bring fraudsters to account more quickly and efficiently; and
- improve the recovery of losses.

The strategy was subject to a major review in 2019-20 and a new version, “Fighting Fraud and Corruption Locally: A strategy for the 2020s” was launched in March 2020. This is attached as Appendix 2 to this report. The Council was involved in setting the direction for the new strategy through attending regional steering groups.

The previous strategy had been based on the three pillars of “Acknowledge, Prevent and Pursue”. The new strategy retains these and adds two more:

Govern – ensuring that there is executive support for a council’s anti-fraud measures

Protect – protecting the council against serious and organised crime and protecting individuals and communities from becoming victims of financial crime

The strategy is more concise than the previous version with the intention of being more readable for senior managers and members. A separate Delivery Plan will be developed to implement the recommendations made in the Strategy. Progress against the Plan will be included in future counter fraud update reports.

Appendix 2 - Counter Fraud and Investigations Report 2020 – Principal Risk Register entry for Fraud (last updated 25 November 2020)

<p><b>Fraud (PRR 005)</b></p> <p><b>Risk event</b> Major fraud attempt (potentially undetected) is successful and there is little or no recourse for the Council</p> <p><b>Potential causes</b></p> <ul style="list-style-type: none"> <li>• Increase attempts during a period of significant disruption</li> <li>• Increased opportunity with the provision of new services (e.g. urgent requirement to distribute government Covid-19 grants)</li> <li>• Dilution of the existing control environment: especially reduced segregation of duties, overreliance on email, changes to spending methods and urgency of spend</li> <li>• Increased incentive due to ongoing economic uncertainty</li> <li>• Lack of fraud awareness amongst management and officers / failure to deter internal fraud</li> <li>• Circumvention of internal controls through collusion</li> <li>• Lack of strategic direction, including regular fraud risk assessment to identify areas of increased exposure/ concern</li> <li>• Failure to cooperate/ exchange relevant information with relevant third parties</li> <li>• Failure to secure evidence and prosecute</li> </ul> <p><b>Potential consequences</b></p> <ul style="list-style-type: none"> <li>• Financial loss which may impact Council budgets and, ultimately, service delivery at a</li> </ul>	<p><b>Recent Activity</b></p> <p>HMG Counter Fraud Function guidance issued in March 2020 surrounding Fraud Control in Emergency Management identified two main threats to the Council arising from the Covid-19 pandemic:</p> <ul style="list-style-type: none"> <li>• First party application fraud (i.e. the risk that an applicant may misrepresent their circumstances to qualify for a government grant or scheme)</li> <li>• Third party impersonation fraud (i.e. the risk that a third party may impersonate a business to extract grant funding from the government)</li> </ul> <p>These risks were felt to be particularly acute for the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund, both of which required the Council to distribute a significant amount of money in a very short time. Initial direction from Government was to implement only low-friction controls upfront (so as not to slow the rate of payment) and then develop robust clawback arrangements for funds paid out incorrectly. Both Internal Audit and the Senior Financial Investigator were involved in providing early advice to Revenues and Benefits staff and continue to provide ongoing support.</p> <p>Under government guidance issued in June 2020, the Council has:</p> <ul style="list-style-type: none"> <li>• Undertaken a specific fraud risk assessment in line with the methodology proscribed by government, giving a RAG status for current controls (OFFICIAL SENSITIVE information)</li> <li>• As soon as permitted to do so, strengthened its due diligence process, including making use of government fraud prevention tools such as Spotlight</li> <li>• Developed a post event assurance process to check high risk grants awarded for fraud, invoke clawback arrangements and pursue recovery</li> </ul> <p>Other points relevant to risk mitigation <u>within the Council</u> since the previous Principal Risk update include the following:</p> <ul style="list-style-type: none"> <li>• Suspected fraud attempts (of any kind) may continue to be referred to the Senior Financial Investigations Officer for advice and potential investigation. There remains some concern that fraud suspicions are not raised or reported by some parts of the Council which are exposed to the inherent risk of fraud.</li> <li>• The Council is participating in the mandatory National Fraud Initiative (NFI) data matching exercise, and having submitted the Council's data in October 2020, is awaiting the results of these matches in February 2021.</li> <li>• It is intended that the introduction of the new OneCouncil system for finance and procurement will strengthen anti-fraud controls in a number of areas.</li> </ul>	<p><b>Next Steps</b></p> <p>Any actions arising from the forthcoming Internal Audit Action Plan (expected Jan 2021)</p> <p>Investigate NFI data matches as resources allow. (commencing Feb 2021).</p> <p>Pursue recovery according to the outcome of post-payment assurance work on business grants (expected Feb 2021)</p> <p>Develop the residual (current) fraud risk assessment for approval at CGG and onwards to Management Team. (due 30/10/2021)</p> <p>Continue to develop referral processes so that all suspected cases of fraud are referred to the Team (ongoing)</p> <p><b>Garry Chumbley, Senior Financial Investigations Officer/ Alison Chessell, Procurement and Risk Services Manager (all actions)</b></p>
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<p>time when Council finances are already under strain</p> <ul style="list-style-type: none"> <li>Limited resources may be directed to the wrong recipients resulting in hardship for others during a period of significant disruption</li> <li>Reputational damage associated with any major loss and/or perceived inaction from the Council (regardless of central government direction)</li> </ul>	<ul style="list-style-type: none"> <li>In June 2020, the Council reviewed the recommendations from the MHCLG report on the Risk of Fraud and Corruption in Local Government Procurement, noting that the Council was in a strong position given that its fraud and procurement functions sit within the same team. The team will continue to take these recommendations forward, as its use of the new OneCouncil contracts module develops.</li> </ul> <p><b>Risk scoring:</b> Given the ongoing increased inherent risk during the pandemic, occurrence remains 'Likely'.</p> <p><b>Sources of Assurance</b></p> <p><u>Management Assurance</u></p> <ul style="list-style-type: none"> <li>Self-assessment against the CIPFA Fighting Fraud and Corruption Locally Checklist at least every two years (Dec 2020 –adopting the 2020-2023 version)</li> <li>Annual Investigations Report to Management Team and Audit and Risk Committee (Dec 2020)</li> <li>Ongoing involvement Senior Financial Investigator (and/or Internal Audit in advisory capacity) re: controls surrounding distribution of CV-19 grants to businesses and individuals via Benefits System</li> <li>Internal Audit consultancy/control advice during the OneCouncil project to replace the Council's finance system, ensuring key fraud controls are not diluted</li> </ul> <p><u>Independent Assurance</u></p> <ul style="list-style-type: none"> <li>Routine consideration of fraud risk by independent assurance providers: <ul style="list-style-type: none"> <li>Internal Audit as part of their overall annual Audit Opinion, when compiling their annual risk-based Internal Audit Plan, and when planning each individual audit assignment</li> <li>Annually by External Audit as part of their audit of the financial statements</li> </ul> </li> <li>Internal Audit review, 'Managing the Risk of Fraud', to examine the Council's response to managing Fraud, Bribery and Corruption risks in line with CIPFA's code of practice, is currently in progress (report expected Jan 2021)</li> <li>Business Support Grants Post Payment Assurance forming part of 2020 NFI dataset and will be part of Internal Audit KFS 2020/21 scope (due to start January 2021)</li> <li>The Council's new motor insurers have undertaken an independent assessment of the Council's insurance procedures and have confirmed that they are satisfied with the existing fraud controls in place (October 2020)</li> </ul>	
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### Appendix 3 - Counter Fraud, Bribery and Corruption Plan Objectives – 2020 / 21

Investigate potential Council Tax benefits and Single Person Discount fraud and error carrying out, where relevant, joint investigations with the DWP.

Undertake proactive work in other areas identified from the fraud risk assessment, including:

- procurement fraud;
- business rates fraud;

This will include assistance with recovery options, as well as the work on fraud and error.

Develop and review the Fraud Risk Assessment including updating fraud risk mitigations.

Investigate cases referred to the Unit via the whistleblowing reporting line or from management via the Fraud Response Plan.

Co-ordinate the investigation of matches arising from the National Fraud Initiative exercises and follow up any matches that provide evidence of potential fraud. Feed back to the relevant services on the outcomes of any investigations and to provide advice where relevant to improve system controls or data quality.

Investigate areas for sharing data and working jointly with partners, including registered housing providers, DWP, Police, Tactical Organised Crime Group and other councils. Review and develop information sharing agreements to ensure compliance with the General Data Protection Regulations.

Continue to develop referral processes so that all suspected cases of fraud are referred to the Unit.

Review and develop policies and procedures relating to fraud, bribery and corruption.

Work with the Essex Fraud Investigators' Group and Financial Investigators Forum sharing intelligence and best practice and delivering training. Help to deliver the work programmes put together by the Groups.

An exercise is planned to be carried out in 2020/21 using open source data to identify any potential cases where businesses may be claiming Small Business Rate Relief in more than one local authority area, where the premises' rateable values exceeded the value attracting Relief. This exercise has been carried out in other Authorities with variable results.

#### Appendix 4 - Emerging Risks 2020: responding to the COVID-19 pandemic

Potential external risks include:

- Loss of jobs / household income leads to a significant increase in claims for Council Tax Support, the COVID-19 Council Tax Hardship Fund and other welfare benefits, some of which may be fraudulent
- The Council has had to administer the Small Grant and the Retail, Leisure and Hospitality Grant schemes set up by the government to provide funding to the businesses, in addition to the existing Expanded Retail Discount Scheme; some of the applications may be fraudulent
- The increased workload generated by the various relief schemes reduces the level of resource available for checking both new applications and changes to circumstance for existing benefit / discount recipients
- The guidance set out by the government in its Procurement Policy Notes, which are intended to help Council's suppliers maintain service continuity during the pandemic, includes measures that could increase the opportunity for fraud, for example forward ordering, payment in advance/prepayment, interim payments and payment on order (not receipt)
- The Council and its staff are targeted by fraudsters seeking to take advantage either directly or indirectly of the pandemic, for example through mandate fraud, phishing attacks, executive impersonation or offering non-existent / counterfeit supplies and services (e.g. Personal Protective Equipment)

Potential internal risks include:

- Temporary relaxations of existing controls and authorisation limits as a result of increased workload and staff working remotely increases the opportunity for fraud or error to occur
- Increase in use of procurement cards and emergency requests for funding increases the risk of inappropriate expenditure being incurred
- Decrease in levels of management oversight coupled with an increase in staff redeployment and levels of overtime create the opportunity for overclaiming hours worked / expenses incurred
- The economic situation, including loss of family income if other family members are furloughed or have lost their job, increases the incentive for staff to commit fraud or theft

It should be noted that measures are already being taken to mitigate risks arising or increasing as a result of the pandemic. With regard to the various COVID-related business grant schemes that the Council has been responsible for administering, a number of controls have been put in place to reduce the risk of fraudulent applications. These include:

- Pre-payment checks to verify bank accounts on claims against existing details for business rate payers; further identity checks carried out where the applicant details differed from existing information held on the business rates system

- Where businesses not on the rates listing have applied for grants (for example for a Discretionary Grant), additional credit checks carried out to link the bank account to the applicant and the business, and to confirm trading activity for the business
- All applicants for Discretionary Grants required to provide additional evidence to demonstrate that they meet all of the grant criteria
- Cross-checking of all intelligence received on attempted frauds and phishing attacks against applications received / payments made by the Council
- Internal data matching to identify potential breaches of the grant conditions (e.g. multiple claims across schemes, applications in excess of State Aid limits)
- External data matching to identify potential multiple applications across Councils in breach of the grant conditions
- Introduction of a Single Point of Contact for fraud in the Council with whom banks can discuss any suspicious payments they detect
- All intelligence on organised fraud attempts (i.e. across more than one Council) reported to the relevant enforcement agencies for further action
- Recovery action to be taken in all cases where overpayments have been identified, and enforcement action to be taken where it is considered that the application was fraudulent

The level of activity required to address these risks is likely to have a significant impact on the ability of the Council to deliver its previously planned programme of counter fraud work, but this will be prioritised on a risk basis and where possible proactive, preventive work will still be undertaken.



## Chelmsford City Council Audit and Risk Committee

16<sup>th</sup> December 2020

### Annual Report of Procurement & Sourcing Activities

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Report by:

Director of Financial Services

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Officer contacts:

Alison Chessell, Procurement & Risk Services Manager

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#### Purpose

This report provides details of:

- All formal procurement and sourcing activities undertaken by the Procurement Team
- Any cross-functional working that has taken place
- New processes, policies and practices that have been introduced in the last 12 months
- The teams planned activities for the coming 12 months

#### Recommendations:

Committee note the report and contents.

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## 1. Introduction

- 1.1. During 2019/20 the Procurement Team has been adapting to changes in its structure and practices. This has followed the Council's adoption of new Contract Rules, a team restructure and a conscious shift, through policy and practical application, to ensure ethical and sustainable issues are considered across the Councils purchase and supply behaviours.
- 1.2. Historically the team has been driven by compliance, cost savings and value for money. Whilst these factors are still core to the Councils sourcing policy, we are now seeking to gain other benefits from our influenceable spend. To that end the Social Value Policy was developed and approved on 17th November 2020.

## 2. Working Together

- 2.1. The team works across the Council providing advice, guidance and support with a variety of sourcing requirements. We use a e-procurement system (Delta eSourcing) that enables compliance, with the current EU rules, the Councils contract rules and any incoming regulations following the UKs exit from Europe.
- 2.2. In other areas of the Council there is more of a cross functional partnership approach. With teams sourcing their requirements direct from frameworks. We aim to support teams in these processes, ensuring compliance but also that they apply the ethos of the Social Value Policy in their sourcing practises.

## 3. Achievements 2019/20

- 3.1. **Procurement Cards** – The move to using procurement cards instead of travel warrants, petty cash and expenses claims continued. The cards came into their own during the first lockdown and were used almost exclusively by the Community Hub for the purchase of food for delivery to the community. Use of the cards is well established across the Council with 145 in regular use across the Council.
- 3.2. **Social Value Policy** – Introduced and approved at Cabinet on 17th November 2020. The team piloted a 10% weighting for social value in three of its largest tenders: CCTV, Electoral Printing and Theatre Ticketing. This was a vital process in developing how the policy can be embedded into future processes. An example of additional information gathered by applying social value criteria in the Electoral Printing tender includes: all the winning bidders first tier suppliers are Essex based, with their two key suppliers located in Chelmsford. Also, they have converted to using veg based inks rather than those produced using oil.
- 3.3. **OneCouncil** – The system will allow comprehensive records of the Councils supply contracts to be held. For the first time service managers will be able to see actual

spend against the contract. We are reviewing options to include historical data in contract reporting – because this was never held in Total, data transfer was not possible.

In the longer term this will enable improved contract monitoring and subsequently better contract management practices within the Council.

**3.4. Modern Day Slavery (MDS) Supplier Risk Assessment** – The purpose of this exercise was to expose potential areas of risk that may lie within the first tier of the Council's supply chain; the first tier being the suppliers that the Council has a direct contractual relationship with.

The UK is not a high-risk country for MDS, however, incidents still regularly occur and certain industries are recognised as having greater risk. Construction and works, for example, holds a high-risk level due to the use of raw materials and its intensive labour requirement. A medium risk industry would be hospitality and security.

The key findings from this exercise, relating to the 19/20 financial year, include:

- Total spend was £40.1m with 1,823 suppliers.
- Three of these suppliers are based outside the UK but accounted for only £18,599 of the total spend so considered low risk.
- Suppliers categorised as high risk – high risk industry and high spend:
  - £12.5m on Construction and Works (29 different suppliers used)
- 50 further high risk suppliers were then identified but with a comparatively low spend:
  - £434k on Hospitality
  - £144k on Security
- Although considered low risk as a tier one supplier, Technology companies often carry higher risk within their supply chains. Many tech manufacturers are based in Asia and have, historically, been associated with MDS abuses. In 19/20 the Council spent £407k with suppliers in this category.

These findings show that overall the Council has a low exposure to Modern Day Slavery Risk in tier one.

The procurement team proposes:

- Further investigation of suppliers identified as high risk, reviewing their MDS credentials via secondary data sources initially.
- To use the Social Value weighting within procurement processes to gain greater insight to the supply chains of our suppliers by requiring full disclosure prior to contract.
- Review new supplier set up procedures.

3.5. **Summary of Procurement Processes** – Please see table in Appendix 1 detailing the activities and summary of the main procurement awards completed in the prior 12 months.

### Operational Planned Activities November 2020 Onwards

#### 3.6. Exit from European Union –

3.6.1. The Cabinet Office are currently consulting on likely changes to the procurement law in England and a green paper is due in 2021; the aim is to reform the rules as soon as possible after the transition period.

3.6.2. Tenders that exceed the OJEU thresholds currently require us to advertise on the Contracts Finder website (for advertising tenders in the UK) and TED (Tenders Electronic Daily – advertising across Europe). Contracts Finder will remain in use, but TED will be replaced by FTS (Find a Tender Service). This was confirmed in Cabinet Office PPN 08/20 published on 23<sup>rd</sup> November 2020. FTS will launch at 23:00 on 31<sup>st</sup> December 2020.

3.6.3. The Council has no tender opportunities that exceed threshold due to be live during the transition period.

3.6.4. Thresholds are likely to remain the same through transition but are likely to change with the reform bill. Whatever rule changes are made they will be in line with the WTO GPA (Agreement on Government Procurement) principles of openness, transparency and non-discrimination.

3.6.5. The procurement team will monitor this situation and feedback changes as they occur. Full consideration will be given to these issues when preparing new contracts.

#### 3.7. Continued Embedding of Social Value Policy

3.7.1. The Procurement Team will deliver the action plan attached to the Procurement Strategy in appendix 2.

- 3.7.2. Training and awareness of the Policy and Strategy will be delivered to officers and key stakeholders
- 3.8. **Technology** - Procurement card administration will move to OneCouncil in January 2021 further simplifying the processing of receipts and coding of expenses. The team is also reviewing alternate options for meeting our eProcurement requirements.
- 3.9. **Cross functional alliances** – Working more closely with key services and departments to enable them to undertake their own sourcing processes in a compliant, fair and transparent manner. We are currently working with the DPO to integrate working practices that avoid duplication whilst ensuring compliance.
- 3.10. **Training** - Awareness raising across the organisation, at all levels, with the aim of increasing knowledge of the Council’s internal contract and procurement rules and PCR 2015 (Public Contract Regulations). OneCouncil training for key contract owners on the contract module.
- 3.11. **DPS (Dynamic Purchasing Systems)** – Commence use of existing systems for the Sale of Recyclables, Parks Minor Works and Temporary Accommodation.
- Launch a new DPS for maintenance contracts. Working alongside the Building Maintenance team to create a new mechanism for letting cyclical and small one-off maintenance contracts.

#### List of appendices:

- Appendix 1 – Summary of Procurement Activity Oct 2109 – 2020
- Appendix 2 – Procurement Policy – Action Plan

#### Background papers:

- Social Value Procurement Policy
  - Social Value Strategy
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#### Corporate Implications

Legal/Constitutional: All procurement activity must be compliant with Public Contract Regulations 2015 and Contract Procedure Rules

Financial: Procurement activity is aligned with the medium term financial strategy and annual budget cycle

Potential impact on climate change and the environment: The Climate Emergency Action Plan is a key driver for the new Procurement strategy

Contribution toward achieving a net zero carbon position by 2030: The procurement strategy specifically targets this action through the Theme Outcomes and Measures.

Personnel: None

Risk Management: Procurement strategy is a principal risk monitored by Management Team and Audit and Risk Committee

Equality and Diversity:

Procurement Policy and Strategy has a Equality Impact assessment underway.

Health and Safety: Health and Safety is a principal risk on the risk register

Digital: Digital risk is considered as part of the principal risk activities.

Other:

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Consultees: Director of Financial Services

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Relevant Policies and Strategies:

Procurement Policy

Social Value Procurement Strategy

Our Chelmsford Our Plan

## Appendix 1 - Procurement & Sourcing Activities – Oct 2019 to Oct 2020

*This does not include distributed procurement processes that were supported with advice and guidance.*

Process	Service	Procurement Method	No. of initial expressions of interest	No. of responses	Winning bidder	Location of winning bidder
<b>RFQ (Request for Quotation)</b>						
<i>Works Projects:</i>						
Footbridge refurb	PP	Quotes	5	2	Ashe Green Civil Engineers Ltd	Chelmsford
Telford Place	PP	Quotes	16	2	Halwell <a href="#">Work in Progress</a>	Essex
Gutter cleaning	PP	Quotes	5	3	Dial a Jet Drainage	Essex
Demolition of Commercial buildings	PP	Quotes	8	7	Northeast Demolition UK Ltd	Chelmsford
Refurbishment of Hylands toilet block *	PP	Quotes	37 registered	Competition currently open		
High Chelmer MSCP	PP	Quotes	6	2	Concrete Repairs Ltd	Surrey
Ice Rink Resurfacers	PP	Quotes	2 approached	2	Hood Airport & Ice Limited	Northumberland
Ice Rink Disco Lighting	PP	Quotes	11 ■	6	Spotlight <a href="#">Work in Progress</a>	Essex
<b>Full Tender and PCR 2015 Applies (Over OJEU OR considered to be of Strategic Importance) #</b>						
CCTV Replacement & Maintenance *	PP	Open Market	32	2	Link CCTV	Hertfordshire
Electoral Printing *	CC	Open Market	33	6	Corporate Mailing Solutions	Essex
Insurance Services	FIN	Open Market	15	8	Various suppliers	Various
Theatre Ticketing *	CC	<i>Project under review – market research continues</i>				
<b>Concessions</b>						
Ice Cream pitch in Admirals Park	PP	Open Market	n/a	2	Five Star Caterers	London
<b>Procurements via Purchasing Framework</b>						
Planning - Energy	SC	Mini Competition	11	4	Currie & Brown UK Ltd	London

Planning - Transport Consultancy	SC	Mini Competition	23	13	Steer Davies Gleave Ltd	London
Property Valuation	FIN	Mini Competition	8	2	Montagu Evans LLP	London
Mobile Phones	CC	Direct Award - CCS			O2 Telefonica <a href="#">Work in Progress</a>	National
MS Enterprise Subscription Agreement	CC	Direct Award - CCS			Phoenix Software Ltd	
MFDs – lease vs purchase	CC	Mini Competition	5	5	Capita / Right Sol..	National
Sweepers x 2	PP	Direct Award via CCS			Johnston Sweepers <a href="#">ON ORDER</a>	National
Transit Vans x 4 (1x Luton, 3 x Caged)	PP	Direct Award via CCS			Ford <a href="#">Work in Progress</a>	National
Temporary Staff – Clerical & Professional Master Vendor Contract	CC	Direct Award via YPO			Adecco UK & Ireland Ltd	National
<b>Contract Extensions Taken</b>						
Temporary Staff – Loaders, drivers, parks	PP	YPO Framework			Hays Montrose	National
Telephony	CC	CCS Framework			Freedom Communcations	Watford
Revs & Bens bill printing	FIN	CCS Framework			DSI Billing Services	National
Hydraulics	PP	Full Tender			Hydraquip Hose & Hydraulics	Essex / Kent
Gladstone – Leisure Mgt Software	CC	CCS Framework			Via Bramble Hub	Oxfordshire
<b>Collaborative Buying</b>						
Safeguarding for Taxi Drivers – Licensing Requirement - Concession	PP	Joined a tender process led by Uttlesford for taxi driver training requirement.			TENDERS UNDER EVALUATION	
<b>Dynamic Purchasing Systems – Run Internally</b>						
Temporary Accommodation	FIN	Live – first competition delayed, waiting on service readiness				
Sale of Recyclables	PP	Live – due to undertake first competition in				

		November/December 2020				
Parks Minor Works	PP	Live – first competition delayed, waiting on service readiness				

\*These procurements were used to pilot the use of 10% weighting for social value in the scoring criterion.

# Please note property transactions are not affected by PCR (Public Contract Regulations).

□ Due to high volume of initial responses a prequalification process was undertaken resulting in 39 returns. This was further reduced by the decision to select Essex based suppliers only which resulted in the 11 shown here.

Appendix 2 - Procurement Policy Action Plan

	Action	Details	When	Completed
2020	Improve access to procurement support documents and information	Review documentation standard terms and conditions Update intranet Update website	Sept 2020	Yes
	Modern Slavery Action Plan	Report to Audit and Risk Committee on action plan for Modern Slavery.	Sept 2020	Yes
	Participate in Chelmsford Action Against Modern Slavery Event	Participation in community stakeholder event lead by Community Safety Team	Oct 2020	Yes
	Training and Awareness	Training programme for staff – reminder of internal Contract Rules / current and potential changes to UK Regs Introduction of Social Value TOMS	Nov 2020	In Progress
	Contract data transfer into OneCouncil	Ensure current records as complete as possible Embed new contract spend recording methodology	Oct/Nov 2020	Yes
	Supplier Risk Assessment – Modern Slavery	Undertake a supplier risk assessment for Modern Slavery risks within supply chain	Dec 2020	Yes
	Annual Procurement Report	Publish new Annual report to Audit & Risk Committee	Dec 2020	Yes
2021	Service spending plans published at start of financial year	Establish an outline procurement pipeline for the coming year – key capital purchases, planned project spend. Including proposed routes to market and timescales. Publish on Council website all up and coming key procurements. Warm up market. Increase transparency internally and externally. Focus on local suppliers. Allow procurement team to plan workload Identify key service procurement leads	Jan – Mar 2021	
	Review external environment incl. changes due to EU exit.	Review new guidance and legislation	Jan 2021	
	Social Value Practitioner status	Train key staff as Social Value Practitioners	Feb 2021	
	Contract Review	Review of key suppliers, and contract management framework and training	April 2021	
	Participate in Social Value Event	Potentially host climate change Social Value session for local suppliers and partners	May 2021	
	Complete CIPS Ethical Test	All Procurement Team members required to undertake Ethics Test	June 2021	
	Training and Awareness	Procurement training for Councillors	Sept 2021	
	Annual Procurement Report	Publish report to Audit & Risk Committee, including reporting of TOM's	Dec 2021	
Monitor Quality of Spend Data	Ongoing assessment	All		



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## Chelmsford City Council Audit and Risk Committee

16 December 2020

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### Terms of Reference of the Treasury Management and Investment Sub-Committee

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Report by:

Legal and Democratic Services Manager

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Officer Contact: Brian Mayfield, Democratic Services Manager

[Brian.mayfield@chelmsford.gov.uk](mailto:Brian.mayfield@chelmsford.gov.uk), 01245 606923

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#### Purpose

To review the terms of reference of the Treasury Management and Investment Sub-Committee and to make recommendations on any changes required to them.

#### Recommendations

That any changes to the terms of reference of the Sub-Committee the Committee consider to be necessary be referred to the Constitution Working Group for subsequent consideration by the Governance Committee and full Council.

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### 1. Background or Introduction

- 1.1. Revised terms of reference for the Treasury Management and Investment Sub-Committee were approved by the Council at its Annual Meeting on 13 May 2020 following a review by the Governance Committee. Those terms of reference, showing by tracked changes the amendments agreed, are attached as Appendix A.

- 1.2. One matter not resolved at the time was whether there should be a limit on the number of members of the Sub-Committee who could be drawn from the membership of this Committee. It was left at the time that this would be considered in due course by the Constitution Working Group. Before that Working Group considers the matter, the views of this Committee are being sought.

## 2. Membership of the Sub-Committee

- 2.1 Whilst there is no requirement that the membership of a sub-committee be drawn partly, mostly or entirely from that of the parent committee, it is usual practice that at least some members sit on both bodies. This helps to maintain continuity of knowledge, familiarity with subject matter and provides an understanding of the thinking behind any recommendations referred from the Sub-Committee to the committee (although in reality most recommendations are made direct to the Cabinet without first being passed to the Committee).
- 2.2 At present, two members of the Audit and Risk Committee sit on the Sub-Committee. The Committee is requested to consider whether the terms of reference should set out a minimum number of members to be drawn from the Audit & Risk Committee. To reflect current working practice, the Committee could therefore add to the terms of reference that a minimum of two members of Audit and Risk Committee sit on the Sub-Committee but can consider other options if it wishes.
- 2.3 The Sub-Committee is also chaired by the Cabinet Member for Fairer Chelmsford. As the decision-making route for many treasury management and investment matters includes the Cabinet, the Committee should satisfy itself that the presence of an Executive member on the Sub-Committee creates no conflict of interest and enables an objective assessment of the treasury management function to be maintained. The terms of reference already make provision for any breaches of the Treasury or Investment Strategy or Treasury Management Procedures to be referred to Audit and Risk Committee. To reflect current working practice, the Committee could continue with the Cabinet Member chairing the Sub-Committee but can consider other options if it wishes.
- 2.4 In approving the revised terms of reference in May, the Council agreed a change that meant that any member may act as a substitute at meetings of the Sub-Committee. Substitutes had previously been confined to members of the Audit and Risk Committee. The Committee is asked whether it is content for the arrangement agreed in May to continue.

## 3. Conclusion

- 3.1. Any changes to the terms of reference will be passed to the Constitution Working Group which will consider them as part of its next review of constitutional matters in the new year.

List of appendices:

Appendix A – Terms of Reference of the Treasury Management and Investment Sub-Committee

Background papers:

None

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Corporate Implications

Legal/Constitutional: Amendments to the terms of reference of the Sub-Committee represent a change to the Constitution which require the consideration of the Constitution Working Group, Governance Committee and Council

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: None

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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Consultees:

Director of Financial Services

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Relevant Policies and Strategies:

Not applicable

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Appendix A

<b>Treasury Management <u>and Investment</u> Sub-Committee</b>			
<b>Membership:</b> <del>Three Members of the Audit and Risk Committee</del> <u>Seven Members</u>			
<b>Quorum</b>	<b>Substitutes</b>	<b>Politically Balanced</b>	<b>Frequency of meetings</b>
<del>TWO</del> <u>THREE</u>	<b>YES</b> <del>Only members of the Audit and Risk Committee can substitute</del>	<b>YES</b>	<del>FOUR</del> <u>THREE</u> PER YEAR
<b>Functions/Purpose</b>		<b>Delegations</b>	
<ol style="list-style-type: none"> <li>1. To comment on the draft Treasury Management <u>and Investment</u> Strategy <del>ies</del> and make recommendations to Cabinet on the <del>osea</del> <u>Strategies</u>.</li> <li>2. To receive reports on Treasury Management <u>and Investment</u> activities and performance <del>three times per year on a quarterly basis</del>.</li> <li>3. To report to the Audit and Risk Committee on any breaches of Treasury Strategy, <u>Investment Strategy</u> or <u>Treasury Management</u> Procedures.</li> <li>4. On occasion of urgent matters to agree changes to the Treasury <u>Management or Investment</u> Strategy without reference to Full Council.</li> <li>5. In the light of performance and market conditions recommend changes to <u>either</u> strategy going forward.</li> <li>6. The sub-committee is not intended to be a consultee to individual investment decisions.</li> </ol>		N/A	
<b>Procedures</b>	<b>Part 4.2 – Cabinet and Committee Procedure Rules</b> <b>Part 4.9 – Financial Rules</b>		
<b>Codes</b>	<b>Part 5.1 – Code of Conduct for Councillors</b>		



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## Chelmsford City Council Audit and Risk Committee

16<sup>th</sup> December 2020

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### Audit and Risk Committee Work Programme

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#### Report by:

Director of Financial Services

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#### Officer Contact:

Elizabeth Brooks, Audit Services Manager, [elizabeth.brooks@chelmsford.gov.uk](mailto:elizabeth.brooks@chelmsford.gov.uk)

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#### Purpose

This report updates the rolling programme of work for this Committee.

#### Recommendations

That the rolling programme of work for the Committee is agreed.

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### 1. Introduction

- 1.1. The Audit & Risk Committee works to a standard programme of work to ensure that their work is spread evenly across meetings, as far as possible, and to ensure that core reports are produced at the appropriate time within the Council's reporting timetable.

### 2. Self-assessment and training

- 2.1. In line with CIPFA Guidance: Audit Committees 2018, it is recommended that Audit & Risk Committee members review their knowledge and skills, for example, as part of a self-assessment process and training needs analysis. It is proposed that we facilitate such a session in March/April 2021 to inform future training and development to ensure knowledge remains up to date.

### 3. Rolling Programme of Work

3.1. Many of the reports submitted to this Committee are presented on a cyclical basis and can be timetabled for particular meetings. However, from time to time additional reports are requested which are presented to future meetings. The proposed rolling programme of work for this Committee for the next series of meetings is shown below.

#### 17<sup>th</sup> March 2021

Agenda Item	Report Owner
External Audit Annual Audit Letter	BDO
Certification of Claims Returns	
External Audit Annual Audit Plan 2021/22	
Internal Audit Plan 2021/22	Audit Services Manager
Internal Audit Charter 2021	
Risk Management Report	Procurement and Risk Services Manager
Approval of Accounting Policies	Accountancy Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

#### 16<sup>th</sup> June 2021

(Joint meeting with Governance Committee)

Agenda Item	Report Owner
Review of the Local Code of Corporate Governance	Legal and Democratic Services Manager
Annual Governance Statement	Legal and Democratic Services Manager/ Director of Financial Services

(Audit & Risk Committee)

Agenda Item	Report Owner
External Audit Update	BDO
Revenue (Outturn)	Accountancy Services Manager
Capital Monitoring (Outturn)	
Internal Audit Annual Report 2020/21	Audit Services Manager
Audit & Risk Committee Annual Report 2020/21	
Review of the Audit & Risk Committee's Terms of Reference	
Audit & Risk Committee Work Programme	Audit Services Manager

28<sup>th</sup> July 2021*(depending on clarification of future audit timetable)*

Agenda Item	Report Owner
Sign-off 2020/21 Accounts/Audit Opinion and Completion Certificate	Director of Financial Services
International Standard on Auditing (ISA) 260 - requires the Council's External Auditors to report to those charged with governance those relevant matters arising from the audit prior to issuing the Statement of Accounts	BDO

22<sup>nd</sup> September 2021

Agenda Item	Report Owner
Risk Management Report	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

15<sup>th</sup> December 2021

Agenda Item	Report Owner
Internal Audit Interim Report 2021/22	Audit Services Manager
Anti-Fraud and Investigations Annual Report 2021	Procurement and Risk Services Manager
Procurement Update	Procurement and Risk Services Manager
Modern Slavery Report	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

List of appendices: None

Background papers: None

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### Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). A number of recent legislative changes have emphasised the importance of the Audit & Risk Committee. Key developments include:

- the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)

- updates to the PSIAS in 2016 and 2017
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The role of the Audit & Risk Committee in relation to risk management covers: assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks; keeping up to date with the risk profile and the effectiveness of risk management actions and; monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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Consultees: None

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Relevant Policies and Strategies: None

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