

Audit Committee
18 September 2023

WELWYN HATFIELD BOROUGH COUNCIL

Minutes of a meeting of the AUDIT Committee held on Monday 18 September 2023 at 7.30 pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE.

PRESENT: Councillors D.Panter (Chair)
C.Watson (Vice-Chairman)
J.Boulton, N.Pace and R.Platt

ALSO K. Fuller SIAS
PRESENT: N. Jennings SAFS

OFFICIALS H.O'Keeffe, Assistant Director (Finance)
PRESENT: D.Hill, Senior Governance Officer

9. SUBSTITUTION OF MEMBERS

There were no substitutions.

10. APOLOGIES

There were no apologies for absence.

11. MINUTES

The minutes of the meeting held on 28 June 2023 were agreed as a correct record and noted by the chair.

12. NOTIFICATION OF URGENT BUSINESS TO BE CONSIDERED UNDER ITEM 10

No notifications of urgent business were received.

13. DECLARATIONS OF INTERESTS BY MEMBERS

There were no declarations of interests by members.

14. RISK MANAGEMENT QUARTER 1 RISK REGISTERS

Members received a report of Risk Registers from Quarter 1 for this financial year, correct as of 30 June 2023.

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The Assistant Director (Finance) stated Welwyn Hatfield Borough Council (WHBC) approved new risk management policy strategy and framework at end of 2022/23, for adoption from 1 April 2023, and this is the first time that risks have been reported in this way under the new framework.

The risks presented include all of the identified strategic risks, along with the operational risks, with a residual assessment of serious or severe.

The risk register had a comprehensive review and, following the review, was imported into the new system in May 2023. Due to this, it is not possible to include a comparison to the previous quarter's report. Trend information is only the trend between early May and end of June. Work is being done on the reporting, so trend information on the inherent risk will also be shown in future reports.

A member development session was held on risk management last week and for any members that could not attend the session, a recording would be available.

The following points were raised and discussed:

- It was queried what the risk score was given for finances for the council for the next the financial year. Officers stated the risk registers only reflected Q1, it does not look forward.
- Members were happy with new format and residual scoring.
- It was stated that in May, there were strikes from bin operatives. A member then queried why there is no risk highlighted of this or other potential sub-contractors striking in the risk register. Officers stated the risk was not currently included in the risk register, but it was noted that this could be considered going forward.
- Clarity was sought regarding whether the Inflation Risk score could be applied to current inflation statistics. Are the risk scores a good predictor for current and future inflation risk. Officers stated that the risks were for end of Q1, currently looking at Q2 risks, which would consider current inflation. As inflation is falling, the report had commentary, which is why residual risk had decreased from inherent risk because, since setting the risks, the outturn position for 2022/23 had been completed. Could not predict exactly where the council thought it would be in terms of outturn, therefore the residual risk had come down. This will be reviewed for Q2 but is a positive of having inherent risks score to start and then the residual risk score after other factors considered.
- The Chair noted that the Executive Director (Finance and Transformation) would look into further 10 risk items raised by the Chair and talk to the risk manager involved, following a conversation about risk scores conducted outside of the committee meeting.

RESOLVED:
(unanimous)

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Members noted:

- A) the attached risk registers at Quarter 1; and
- B) the comments and actions in respect of the strategic and serious/severe operational risks.

15. SHARED INTERNAL AUDIT (SIAS) PROGRESS REPORT

The Committee received the SIAS progress report from K. Fuller on delivering the Council's 2023/24 annual Internal Audit Plan,

The report provided the in-year Audit Plan review and proposed plan amendments, the implementation status of previously agreed audit recommendations and update on performance indicators, as of 04/09/2023.

During the presentation, the following points were highlighted:

- Paragraph 2.2, the table details all finalised audits since the last meeting of the Committee. 4 completed projects are reported, 1 substantial and 3 with reasonable assurance opinions.
- Paragraph 2.4, noted no new high priority recommendations were raised as a result of the work completed and reported in the table at paragraph 2.2.
- There were no outstanding high priority recommendations from previous reports.
- Paragraph 2.5 highlighted 12 medium priority recommendations due for follow up during this cycle, six have been implemented. An update had been provided in respect of the outstanding medium priority recommendations in Appendix D.
- Paragraph 2.6 outlined there have been no plan amendments proposed within this reporting period.
- Paragraph 2.8 provided an update of performance indicators; billable days were 29%. 3 projects at draft report stage. Since the report was published, another draft now been issued.
- 6 of 9 satisfaction questionnaires had been returned, all at a satisfactory level and no high priority recommendations were made.
- Appendix A provided a detailed summary of all audits and their current delivery status.
- Appendix B detailed all audits and their start dates and statuses across the year.

The following points were raised and discussed:

- As the report was early in the financial year, it can appear behind in terms of percentages, but it would balance throughout the year.
- A Member raised an item for urgent business at meeting conclusion.

RESOLVED:
(unanimous)

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The Audit Committee noted the Internal Audit progress report for the period to 4 September 2023, and note the implementation status of internal audit recommendations and the management update.

16. SHARED INTERNAL AUDIT (SIAS) ANNUAL REPORT

The Committee received the SIAS annual report presented by K. Fuller.

SIAS are Council's internal auditors and are a partnership between eight local authorities within Hertfordshire. Hertfordshire County Council (HCC) acts as the host partner, with all SIAS staff HCC employees. WHBC is one partner and the shared service is governed through a partnership board, with the WHBC Executive Director (Finance and Transformation) a sitting member.

SIAS has been in place for over 12 years and has delivered across the partnership over 3,000 audit days yearly. The service has 17 staff members and have a co-sourced audit partner, BDO, to provide specialist skills and provide additional resilience.

The report was for information purposes and differs from annual assurance opinion brought to the Committee earlier this year, as it relates to whole shared service. The reports primary aim was to provide the Committee with an overview of wider performance, achievements and future development activities for service.

**RESOLVED:
(unanimous)**

Members noted the Internal Audit Annual Report

17. SHARED ANTI-FRAUD SERVICES (SAFS) PROGRESS REPORT ON ANTI-FRAUD PLAN 2023/2024

The Committee received the SAFS progress report, presented by N. Jennings, on Anti-Fraud Plan 2023/2024.

As Council joined the partnership in April 2023 the report would not review previous years. The report looked at progress with delivery of the anti-fraud plan reviewed and approved by Committee in March 2023.

Report details how SAFS have been embedding into WHBC to ensure officer and staff awareness of the service and how it works, ensuring SAFS can access systems needed and data required to conduct work.

The plan was agreed with the relevant officers and brought to the Committee for noting.

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The report discusses what SAFS are doing, how SAFS are introducing the service to the council and outcomes from some of the work. In particular, allegations of fraud reported, and the types of fraud that a local authority could see. Allegations could be received from the public and staff. Some work being done with the Comms team is ensuring public are aware of how to report suspicions of fraud to council, as well as officers.

Since the report was produced, the number of allegations increased to 25.

Work is being done by SAFS with the housing team looking at the right-to-buy scheme and how it is administered by WHBC, to identify or prevent any money laundering occurring. New processes were introduced and SAFS officers had undertaken an additional review once applications accepted by WHBC. No money laundering had been identified, nor suspicions of money laundering or fraud regarding this year's applications. Some historic applications have also been reviewed.

SAFS are working with officers to review output from national fraud initiative (NFI). In March, Members were given an overview of what NFI is and how it works. The NFI produced 1294 matches for WHBC. Officers review matches to identify whether it is fraud, an error, an administrative change, or no action is required.

361 matches have been reviewed, identifying £47,000 of savings or potential revenue for WHBC. The savings or potential revenue came from 26 of what are presently classified errors, no actual fraud identified at moment. 17 further matters presently under review with SAFS.

The Council joined the Hertfordshire FraudHub this year, which works the same as the NFI, but work on a quarterly cycle rather than a 2-year cycle. Every 3 months, the Council's data is taken, reviewed and matched. Data analytics are then used to identify whether any fraud had occurred in the previous three months from the data. SAFS are currently reviewing over 4,000 matches from the activity and taken data from areas such as:

- Payroll,
- Housing
- Housing waiting list
- Council tax
- Housing benefit
- Electoral roll

Large amounts of data are being reviewed which will produce a large number of false positives. Therefore, the volume of data needs reviewing to identify any fraud and fix any errors in data. Next quarter, SAFS would then expect a lower volume of output from that to be undertaken. Work is also being done with the Revenues Team. Analyse Local software assists SAFS and WHBC in identifying potential fraud in council data for small business rate relief. So far, 4 cases where small business rate relief was in payment that should not have been were

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identified. This will raise around £31,000 in additional business rates for authority for collection.

SAFS are working closely with officers. Currently going through the cycle where data is being reviewed, improving relationships with officers and training has started. This training has increased both SAFS and fraud awareness for WHBC officers. It is expected that there will be an increase in allegations or suspicions of fraud reported by officers in next 2 quarters.

An update was provided on SAFS KPI's at present. Concerning KPI2, SAFS had just moved to new case management system from April 2023. The time recording process had been slightly problematic for SAFS, so not absolutely confident they recorded all time undertaken for the authority. Since the report was produced, the time recording has improved.

KPI 3, inability at the moment to report on 3A, which is dealing with urgent cases within 24 hours. However, assessment of all of the allegations received so far shows that they are all being dealt with within one day, so still meeting second standard.

KPI 5 is now on target for delivery early in the year.

The following points were raised and discussed:

- Chair queried historic cases, how far back do SAFS go for cases. N. Jennings stated that it depends on the statute of limitations around offences that may have occurred and data retention limits how far back they can conduct an investigation. If an allegation were received, the intelligence team would review all allegations to determine whether it falls within their remit and something they can investigate. It would depend on the age of the case. The Chair queried if reviewing could potentially go back 10 years if they have all facts and evidence. N. Jennings confirmed that would be possible.
- It was noted that there were 23 posts working within SAFS currently.
- It was queried whether any league tables exist within Hertfordshire for fraud, and such data. N. Jennings stated data is held by SAFS and shared at board meetings with partners, authorities within SAFS. Data is provided to WHBC members who attend board meetings. However, there are no league tables. The SAFS want to provide best possible service and learn from each other through partnership.
- KPI 3 was queried regarding SAFS currently being unable to record case response time information but are achieving responses within 24 hours. A Member asked are WHBC required to be able to provide this information within a day and are there mechanisms in place to ensure WHBC will not struggle to meet this. N. Jennings states it is not WHBC, but SAFS that would be responsible as it is their KPI requirements. When SAFS changed case management system, the new system did not allow the separation expected to enable a prioritisation of cases. If contacted about

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matter, SAFS believe they do respond within 24 hours, however the new system does not currently confirm that. Presently, for WHBC, SAFS are achieving this target. However, SAFS would like the case management system to separate more important cases.

- It was queried how had SAFS implementation within WHBC compared to other local authorities where systems have been implemented. N. Jennings stated it had gone well, with several authorities already on board, clear desire from the authority to join, good levels of support from all across authority.
- Member queried about recovery of small business rate relief. When claims are made, when does it become fraud or something mistaken. How is a fraud case treated in comparison to other cases. What is the subsequent action, does the case get passed to a fraud team, the police, or does it get sorted before this level. N. Jennings stated that SAFS data analytics team's priority is to identify where a problem, which arises from the data, is and to fix that. They then identify any system weaknesses that may need fixing to prevent problem re-occurring. Then, a review is conducted to identify if fraud has occurred and if there is a risk the fraud might have created that error within the data. There are grey areas, however individuals are dealing with complex legislation. Sometimes, people make mistakes or do not do right thing at right time, then there are opportunities for fraud to occur. SAFS are keen on first ensuring any issues are corrected. After this, if there is evidence of fraud, then the case will be investigated and go to an investigation team. They will work with officers to review processes and see whether process exacerbated that failure. An executive report may then be produced and provided to appropriate WHBC officers, which would outline where any weaknesses occurred, similar to an audit report. SAFS then provide recommendations to help improve weaknesses or fix any gaps. Any fraud investigation is very resource intensive and is done only when necessary, so a triage system is in place. SAFS priority is to fix issue, then ensure does not happen in future. If there is evidence of fraud in the process, then it goes to a fraud team and they will see whether there is capacity and need to investigate. This fraud team will talk to senior council officers. If issue is taken forward and becomes a criminal investigation, SAFS will interview individuals and collect evidence. The process of criminal investigation is expensive and time-consuming; therefore SAFS need to ensure they are investigating the necessary cases.
- The member followed up, querying if the fraud and problems identified end up paying for SAFS services. If the values of time and fraud that are found become a return on the investment that WHBC makes to SAFS. N. Jennings states this is the aim, SAFS want to show to authorities that there is a return on their investment. If there is not, SAFS need to review what is the added value of the service, what is being done to protect the authority and is there an estimate of value on that. The work undertaken by SAFS concerns where is the value, where can something be given back to the authority, such as through additional revenue, savings or fraud prevention; to pay for the service provided by SAFS.

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- The Chair queried whether information sharing is done countywide and across country for information and evidence gathering when needed for investigations. N. Jennings stated for individual investigations, officers can travel everywhere to gather and review evidence for investigations, including abroad. SAFS have financial investigators with vast amount of powers to obtain information to assist investigations. SAFS can access large amounts of data to assist in identifying a crime. However, they have to make sure they investigate the right cases. Once investigating a crime, then there is an opportunity to access data and legally use that data for investigations, this is not limited.
- The Chair asked whether multiple agencies are used. It was confirmed many are used, including the following: National Anti-Fraud Network, HMRC, Cabinet Office, Police, Home Office. This is an extensive network, both for sharing best practice and alerts, which are shared with officers from various sources. Then reviewed by officers for relevance to their service.

RESOLVED:
(unanimous)

Members note the progress by officers and the Shared Anti-Fraud Service to deliver the 2023/2024 Anti-Fraud Plan for the Council.

18. SUCH OTHER BUSINESS AS, IN THE OPINION OF THE CHAIR, IS OF SUFFICIENT URGENCY TO WARRANT IMMEDIATE CONSIDERATION

The following points were raised and discussed:

- A Member noted the recent issues of Reinforced autoclaved aerated concrete (RAAC). The member had not seen e-mails internally on Council's portfolio regarding whether any reviews or checks had been done. The member suggested that Committee put a note to the officers requesting a report or written update concerning this, to ensure it is not missed by WHBC. Stated they were unsure if anything relevant had previously gone to a committee. The Officer stated they would get a swift report for the Member.

Meeting ended at 8.07 pm