

Governance and Audit Committee

Meeting Venue

Teams Live

Meeting Date

Friday, 30 July 2021

Meeting Time

10.00 am

For further information please contact

Lisa Richards

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County Hall
Llandrindod Wells
Powys
LD1 5LG

23 July 2021

Mae croeso i chi siarad yn Gymraeg neu yn Saesneg yn y cyfarfod.

Rhowch wybod pa iaith rydych am ei defnyddio erbyn hanner dydd, ddau ddiwrnod gwaith cyn y cyfarfod.

You are welcome to speak Welsh or English in the meeting.

Please inform us of which language you wish to use by noon, two working days before the meeting.

AGENDA

1.	APOLOGIES
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To receive apologies for absence.

2.	DECLARATIONS OF INTEREST
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To receive declarations of interest from Members.

3.	MINUTES
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To authorise the Chair to sign the minutes of the previous meeting.

(Pages 3 - 8)

4.	AUDIT WALES
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4.1. **Letter to Chairs of Governance and Audit Committees**

(Pages 9 - 12)

4.2. **Audit Wales Work Programme**

To consider the Audit Wales Work Programme and Timetable.

(Pages 13 - 22)

5.	STRATEGIC RISK REGISTER
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To consider the report of the Head of Finance.

(Pages 23 - 62)

5.1. **Health and Care Workforce Development**

5.2. **Brexit**

6.	FRAUD
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To consider the report of the Head of Finance.

(Pages 63 - 138)

7.	INTERNAL AUDIT
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7.1. **Q1 Performance Report**

To consider the SWAP activity report for the first quarter

(Pages 139 - 148)

7.2. **Q2 Audit Plan**

To consider the SWAP Audit Plan for Q1 and Q2.

(Pages 149 - 158)

8.	CAPITAL PROGRAMME GOVERNANCE AND ASSURANCE
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To consider the report of the Head of Finance

(Pages 159 - 160)

9.	TREASURY MANAGEMENT - Q1
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To consider the report of the Portfolio Holder for Finance.

(Pages 161 - 178)

10.	WORK PROGRAMME
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To consider the forward work programme and whether any additional items should be included.

(Pages 179 - 180)

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD
BY TEAMS LIVE ON FRIDAY, 21 MAY 2021**

PRESENT

County Councillors JG Morris (Chair), D R Jones, M J Jones, K Lewis, DW Meredith, WD Powell, D A Thomas, R G Thomas, T J Van-Rees, A Williams, J M Williams and R Williams and Mr J Brautigam

Cabinet Portfolio Holders in Attendance: County Councillor A W Davies

Officers: Jane Thomas, Head of Finance, James Chappelle, Treasury Manager, Julie Davies, Cyber Security Manager, Emma Palmer, Head of Transformation and Communications

Other Officers in Attendance: Phil Pugh, Non Jenkins and Bethan Hopkins, Audit Wales and Ian Halstead and David Hill, SWAP

1.	APOLOGIES
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Apologies for absence were received from County Councillors M Barnes and B Baynham

2.	ELECTION OF CHAIR
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County Councillor J G Morris was elected Chair for the ensuing year.

3.	ELECTION OF VICE CHAIR
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Mr J Brautigam was elected Vice Chair for the ensuing year.

4.	DECLARATIONS OF INTEREST
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There were no declarations of interest. During the meeting County Councillor D Meredith declared an interest as Chair of Governors at Brecon High School at item 7.3

5.	MINUTES
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The Chair was authorised to sign the minutes of the previous meeting, held on 11 February 2021, as a correct record.

It was noted that the Chair and Head of Finance had been discussing the Capital Programme.

A report on Fraud would be brought to the next meeting.

6.	CLOSURE OF ACCOUNTS
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Documents:

- Report of the Head of Finance
- Audit Wales – 2021 Audit Plan Powys County Council
- Audit Wales – 2021 Audit Plan Powys Pension Fund

Discussion

- Members were advised of the process to be followed and progress of the closure of accounts for 2020/21
- Audit Wales presented their Audit plans which detailed their responsibilities and highlighted risks for both the Powys County Council accounts and Pension Fund accounts, including accounting risks relating to a significant level of funding from the Welsh Government for one specific project – the Global Centre of Rail Excellence (GCRE)
- The concept of materiality was outlined
- Potential conflicts of interest were highlighted alongside the measures put in place to mitigate those conflicts
- Legislation had not been amended regarding the dates for closure of the accounts, but the Council will have to publish the revised date. The Authority, along with many other authorities, will have to delay publishing their final statement of accounts given the pressures on public sector bodies preparing their accounts and on Audit Wales in auditing them
- It was noted that the Minimum Revenue Policy had been revised during the year and Audit Wales confirmed that they would review whether this had been accounted for appropriately. It was possible that any adjustment could have an impact on the financial statements
- A flexible approach to performance work had been taken over the year with similar themes addressed across all authorities. The three Es (economy, effectiveness and efficiency) and five WOWs (Ways of Working) would underpin reviews. For the forthcoming year 2021-22, performance audit work will focus on two main areas undertaken across all Councils and some specific local risk work relating to Powys County Council. This will include highways, waste, housing as part of ongoing Assurance and Risk Assessment work, as well as a review of planning service performance in more detail. It was noted by the Chair that two planning authorities covered the south the County, but the remit for economic development was solely the responsibility of Powys County Council. Audit Wales clarified that the work proposed is specifically in relation to the Council's planning services, and that the National Park Authority is subject a different audit. However, the two audit teams would liaise on any relevant or related issues where appropriate.
- In the previous year's statement of accounts, a comment had been made regarding the valuation of property within the Pension Fund with the valuation of 10% of assets being subject to doubt. Audit Wales confirmed that the fund valuers had issued references to material estimation uncertainty. Whilst the values may not have been wrong, awareness of the level of estimation uncertainty had been raised by the independent valuers and was subsequently referred to in the audit opinion. This had been an industry wide approach during the pandemic. This will be considered in detail during the forthcoming audit and whether there will be any impact on the Statement of Accounts

Outcomes:

- **The reports were noted**

7.	INTERNAL AUDIT
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7.1. Audit Plan

Documents:

- Proposed 2021/22 Internal Audit Plan and Internal Audit Charter

Discussion:

- The difficulties of the previous year were noted
- SWAP had supported the Authority through the pandemic
- The forward plan was based on risks both local and regional
- Over the course of the year statutory compliance, budgets, project and contract management, partnerships and workforce issues would be reviewed as a matter of course
- There was a planned reduction in work of 10%
- Skills from various sources would be drawn upon – including the wider SWAP group, Fraud and ICT teams
- Greater engagement across the Authority was welcomed
- The Chair questioned whether all of the proposed audits were still active or if there was any slippage. A live tracker had been developed which will give more visibility and insight. EMT will have access to the live tracker and can challenge any work or address blockages. The Assistant Director agreed to keep the Committee informed of progress.
- A more agile approach has been adopted to improve efficiency and ensure reports are dealt with in a timely manner
- The Internal Audit Charter details the role, responsibilities, status and scope of reporting – it is agreed annually
- The Assistant Director would welcome any feedback on the Plan but emphasised that any requests for additional audits would need to be approved by EMT.
- Q2 audits would be approved by EMT in early June

Outcomes:

- **The proposed Audit Plan and Internal Audit Charter were approved**

7.2. Q4 Performance

Documents:

- Quarter 4 Performance Report

Discussion:

- A dashboard is available to EMT to improve visibility for the Council. However, this was not yet available for Members

- There were some risks where recommendations were outstanding – 4 in Education, 1 in Finance and 1 in Health and Safety
- Work undertaken includes a mix of assurance work to develop the Annual Audit Opinion, advisory work to support the Council and training events
- Some work has been deferred due to covid and will be picked up during the current year
- Other work was undertaken to replace those audits which had been deferred
- A quicker turnaround was noted for reports to have the greatest impact. This was being addressed through the new agile auditing process
- The Chief Executive of SWAP informed the Committee that the focus was on the speed of delivery. SWAP should be held to account for this and a KPI has been introduced regarding the delivery of final reports. The Head of Finance noted that the Authority also had a part to play in achieving this and that appropriate tracking and monitoring was in place to ensure this happens

Outcomes:

- **The report was noted**
- **A date when the dashboard might be available to Members to be provided**

7.3. Internal Audit Working Group - summary

Documents:

- Internal Audit Working Group Summary Report

Discussion:

- It was noted that a repayment timescale for historic debt at Brecon High School had not been identified. The Head of Finance reported improvements, but that a balance had to be maintained between appropriate educational provision and repayment of debt. The priority had been to stabilize and balance the budget within year. The Finance Team were working closely with the school.

County Councillor D Meredith declared a personal interest as Chair of Governors at Brecon High School.

- The relationship between HOWPS and housing voids was noted, and it was suggested that this relationship needed to be managed more proactively

Outcomes:

- **The report was noted**

8.	STRATEGIC RISK REGISTER
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Discussion:

- Twelve risks were included on the Strategic Risk Register with the Heads of Service having provided updated commentary
- Members were concerned regarding the continuing unreliability of WCCIS which was fundamental for delivery of adults and children's services
- Housing have amalgamated some risks

- Education have streamlined their risks in line with the Post Inspection Action Plan
- The Covid Risk Register has seen 22 risks removed or returned to service risk registers, leaving 26 risks
- The Committee has previously considered inviting Heads of Service to the Committee to provide assurance that risk is being addressed appropriately. As business returns to normal, a programme will be put in place to review service risks and the action being taken to manage them.
- The Authority has drawn down approximately £18M from the Welsh Government Hardship Fund in order to maintain its financial position. The Hardship Fund remains in place until September 2021 and consideration is being given to support after this time. A 3 to 5 year budget plan needs to be developed but the impact of covid on services must be assessed. An Audit Wales review of financial resilience will also help inform future work.
- The Chair and Head of Finance are developing some work on the capital programme which will be considered at a future meeting. Interest repayments are increasing and consideration should be given to the maximum level of repayments that are affordable. Members remained concerned regarding the ambitious capital programme and the potential impact on the revenue budget. There is an element of risk with all capital projects which could impact on service delivery for residents.
- The capital programme will also support the delivery of services and it was noted that doing nothing also had a cost .
- The risk of a significant long-term decline in the working age population was noted. Recruitment and retention are critical if service demand is to be met. A number of measures have been put in place to develop the health and care workforce including 'Growing Our Own'. All services have workforce plans in place.
- The Committee suggested that the Portfolio Holder and Corporate Director be invited to discuss developing the health and care workforce at the next meeting
- The Committee would also wish to consider Brexit which had been overshadowed by the pandemic

Outcomes:

- **County Councillor G Breeze and Corporate Director Childrens and Adults to be invited to the next meeting to discuss health and care workforce development**
- **Risks associated with Brexit to be considered in more detail at the next meeting**

9.	TREASURY MANAGEMENT
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Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- Significant funding for the Centre for Rail Excellence had been received and is being held in a deposit account – any interest accruing must be retained for the project for which it is intended

- No investments had been made due to low interest rates
- Additional borrowing will be required at some point
- £25M of debt has been repaid
- The Committee noted that there had been a decline in compliance around purchase cards. The Head of Finance reported that resolving the issues had not been a priority during the pandemic, but work would be reinstated as part of the transformation work which will resume as business returns to normal. It was confirmed that the budget holder holds responsibility for ensuring that the appropriate documents were supplied, and processes followed.

Outcomes:

- **The report was noted**

10.	ACCESS TO INFORMATION
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RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

11.	CYBER RESILIENCE IN THE PUBLIC SECTOR - POWYS COUNTY COUNCIL RESPONSE
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Documents:

- Cyber Resilience in the Public Sector – Powys County Council response

Outcome:

- **The report was noted**

12.	DRAFT ANNUAL GOVERNANCE STATEMENT
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Documents:

- Draft Annual Governance Statement

Discussion:

- Members wished to give greater consideration to the draft AGS

Outcomes:

- **A further seminar would be arranged for Members to enable consideration of the AGS in greater detail**

County Councillor JG Morris (Chair)

Cllr John Morris
Chair of Governance and Audit Committee
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Reference: HR21-03

Date issued: 9 June 2021

Dear Governance and Audit Committee Chair

Audit Wales Reports and Recommendations

I hope you are well.

You may recall that at the end of November 2020, some Audit Wales staff came along to a meeting of the Audit Committee Wales chairs' network to talk about the implications for audit committees as a result of the then Local Government and Elections (Wales) Bill. As part of this session, we also briefly mentioned our expectation that audit committees actively consider our reports. The purpose of this letter is to clarify and expand upon this.

As you will be aware, our performance audit work comprises national studies, local government studies (such as our recent report about discretionary services), thematic work (such as our financial sustainability assessments) and more locally risk-based work. We consult audited bodies about potential topics for our national and local government studies, and our local risk-based work is determined through our assurance and risk assessment process. Our programme of work for each council is set out in our annual audit plans.

We have found that councils' approaches to dealing with our performance audit reports, proposals for improvement and Local Government studies' recommendations are variable. Councils' approaches vary from regular reviews, audit trackers and action plans to reports and recommendations only being seen

when we present our annual audit summary. We are, therefore, not assured that all councils are consistently actively considering the findings of our reports.

Given the role of the Governance and Audit Committee is to review and assess the risk management, internal control, performance management and corporate governance arrangements of the Council, we would expect that all councils' Governance and Audit Committee formally consider all reports of external review bodies – principally; Audit Wales, Estyn and the Care Inspectorate Wales (CIW).

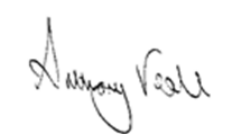
As well as actively considering reports we would expect committees to assure themselves that there are arrangements in place to monitor and evaluate progress against any recommendations contained in them. The focus here should be on holding executives and officers to account to ensure that reports and recommendations have been acted upon. Some of our reports may be relevant for consideration by scrutiny committees also.

To help councils to do this, we will have a more targeted approach of distributing final reports upon publishing, set out our expectations of how councils should deal with our recommendations and find out whether these expectations have been met. In addition, under the Local Government and Elections (Wales) Act, the Auditor General for Wales must produce a timetable which sets out the dates or periods when Audit Wales, Estyn and Care Inspectorate Wales will be undertaking their work. We intend to issue this timetable to councils and cc to Governance and Audit Committee chairs every quarter. We don't intend to formally present this to Governance and Audit Committees each quarter but will liaise with councils to discuss our local approach.

Audit Wales staff will continue to work flexibly to deliver our programme of work. In response to any government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.

I hope you find this letter helpful. Please liaise with our local team if you have any specific needs or concerns.

Yours sincerely



Anthony Veale
Audit Director

John Morris
Cadeirydd y Pwyllgor Llywodraethu ac Archwilio
Cyngor Sir Powys

Cyfeirnod: HR21-03

Dyddiad cyhoeddi: 9 Mehefin 2021

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Annwyl Gadeirydd y Pwyllgor Llywodraethu ac Archwilio

Adroddiadau ac Argymhellion Archwilio Cymru

Gobeithio eich bod yn cadw'n iach.

Efallai eich bod yn cofio bod rhai o staff Archwilio Cymru wedi dod i gyfarfod rhwydwaith cadeiryddion Pwyllgor Archwilio Cymru ddiwedd mis Tachwedd 2020 i sôn am y goblygiadau i bwyllgorau archwilio o ganlyniad i'r hyn a oedd bryd hynny y Bil Llywodraeth Leol ac Etholiadau (Cymru). Yn y sesiwn hon, fe wnaethom grybwyll yn fyr hefyd ein disgwyliad bod pwyllgorau archwilio yn mynd ati i ystyried ein hadroddiadau yn ymarferol. Diben y llythyr hwn yw egluro ac ehangu ar hyn.

Fel y gwyddoch, mae ein gwaith archwilio perfformiad yn cynnwys astudiaethau cenedlaethol, astudiaethau llywodraeth leol (fel ein hadroddiad diweddar am wasanaethau yn ôl disgresiwn), gwaith thematig (fel ein hasesiadau cynaliadwyedd ariannol) a gwaith sy'n fwy seiliedig ar risg yn lleol. Rydym yn ymgynghori â chyrff archwiliedig ynghylch pynciau posibl ar gyfer ein hastudiaethau llywodraeth genedlaethol a lleol, a phenderfynir ar ein gwaith lleol sy'n seiliedig ar risg drwy ein proses sicrhau ac asesu risg. Nodir ein rhaglen waith ar gyfer pob cyngor yn ein cynlluniau archwilio blynyddol.

Rydym wedi canfod bod dulliau cynghorau o ymdrin â'n hadroddiadau archwilio perfformiad, cynigion ar gyfer gwella ac argymhellion astudiaethau llywodraeth leol yn amrywio. Mae dulliau cynghorau yn amrywio o adolygiadau rheolaidd, tracwyr archwilio a chynlluniau gweithredu i adroddiadau ac argymhellion nad ydynt ond yn cael eu gweld pan fyddwn yn cyflwyno ein crynodeb archwilio blynyddol. Felly, nid ydym yn hyderus bod pob cyngor yn gyson yn ystyried canfyddiadau ein hadroddiadau yn ymarferol.

O gofio mai swyddogaeth y Pwyllgor Llywodraethu ac Archwilio yw adolygu ac asesu trefniadau rheoli risg, rheolaeth fewnol, rheoli perfformiad a llywodraethu corfforaethol y Cyngor, byddem yn disgwyl i Bwyllgor Llywodraethu ac Archwilio bob cyngor ystyried pob adroddiad ar gyrrff adolygu allanol yn ffurfiol – yn bennaf; Archwilio Cymru, Estyn ac Arolygiaeth Gofal Cymru (AGC).

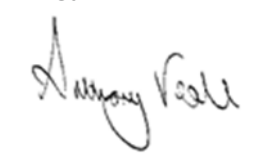
Yn ogystal ag ystyried adroddiadau yn ymarferol, byddem yn disgwyl i bwyllgorau sicrhau eu hunain bod trefniadau ar waith i fonitro a gwerthuso cynnydd yn erbyn unrhyw argymhellion a geir ynddynt. Dylai'r pwyslais yn hyn o beth fod ar ddwyn swyddogion gweithredol a swyddogion i gyfrif er mwyn sicrhau y gweithredwyd ar adroddiadau ac argymhellion. Gall rhai o'n hadroddiadau fod yn berthnasol i'w hystyried gan bwyllgorau craffu hefyd.

Er mwyn helpu cyngorau i wneud hyn, bydd gennym ddull sydd wedi ei dargedu'n well ar gyfer dosbarthu adroddiadau terfynol wrth gyhoeddi, nodi ein disgwyliadau o ran sut y dylai cyngorau ymdrin â'n hargymhellion a darganfod pa un a yw'r disgwyliadau hyn wedi'u bodloni. Hefyd, o dan Ddeddf Llywodraeth Leol ac Etholiadau (Cymru), mae'n rhaid i Archwilydd Cyffredinol Cymru lunio amserlen sy'n nodi'r dyddiadau neu'r cyfnodau pan fydd Archwilio Cymru, Estyn ac Arolygiaeth Gofal Cymru yn ymgymryd â'u gwaith. Rydym yn bwriadu cyflwyno'r amserlen hon i gyngorau ac i gadeiryddion y Pwyllgorau Llywodraethu ac Archwilio bob chwarter. Nid ydym yn bwriadu cyflwyno hyn yn ffurfiol i Bwyllgorau Llywodraethu ac Archwilio bob chwarter ond byddwn yn cydgysylltu â chynghorau i drafod ein dull gweithredu lleol.

Bydd staff Archwilio Cymru yn parhau i weithio'n hyblyg i gyflawni ein rhaglen waith. Mewn ymateb i unrhyw gyngor gan y llywodraeth a chyfyngiadau dilynol, byddwn yn parhau i weithio o bell, gan adeiladu ar y trefniadau a wnaed yn 2020, tan y bydd yn ddiogel i ailddechrau cyflawni gweithgareddau ar y safle. Rwyf yn parhau i fod wedi ymrwymo i sicrhau na fydd gwaith staff Archwilio Cymru yn amharu ar y gweithgareddau hanfodol y mae angen i gyrrff cyhoeddus eu gwneud i ymateb i'r heriau parhaus a gyflwynir gan y pandemig COVID-19.

Gobeithio y bydd y llythyr hwn o gymorth i chi. Cysylltwch â'n tîm lleol os oes gennych unrhyw anghenion neu bryderon penodol.

Yn gywir



Anthony Veale
Cyfarwyddwr Archwilio

Audit Wales Work Programme and Timetable – Powys County Council

Quarterly Update: 06 July 2021

Financial Audit work

Description	Scope	Timetable	Status
Audit of the Council's 2020-21 statement of accounts	The authority's draft statement of accounts for 2020-21 including its Housing Revenue account were received on 22 June 2021. Our audit of the accounts commenced upon the receipt of the accounts and is currently ongoing.	September 30th	Audit in progress
Audit of Powys Pension Fund 2020-21 statement of accounts	Draft statement of accounts yet to be provided for audit. Our audit of the pension fund will commence after the statutory accounts audit is substantially complete.	November 30th	Audit yet to commence

Performance Audit work

2020-21 Performance Audit Work	Scope	Timetable	Status
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.	Draft report issued 30 June 2021	Draft report issued to Council. National Summary Report due to be published August 2021
Scrutiny Follow Up	Completed fieldwork, some feedback has already taken place.	Draft report due to Council July 2021	Draft report due to Council July 2021
Corporate Safeguarding Arrangements	The review will focus on the Council's arrangements for safeguarding. This review will seek to answer the question: has the Council acted upon the recommendations and proposals for improvement contained in the national and local reports of the Auditor General published in 2014 and 2015?	Self-Assessment and accompanying documents due from Council early November 2021 with fieldwork early 2022	Ongoing

2021-22 Performance audit work	Scope	Timetable	Status
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	We will seek to integrate the delivery of our WFG examinations of steps to deliver wellbeing objectives with our other audit work. We will discuss this with the council as we scope and deliver the audit projects listed in this plan.	Ongoing	Ongoing

	We will examine the extent to which the council has acted in accordance with the sustainable development principle in setting its Well-being Objectives.		
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.	Ongoing	Ongoing
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>At Powys County Council the project is likely to focus on:</p> <ul style="list-style-type: none"> • financial position • self-assessment arrangements • recovery planning • implications of the Local Government and Elections (Wales) Act • carbon reduction plans • At Powys Council, the project will also likely focus on areas identified in the 2020-21 ARA including: Housing, Highways, Waste & Recycling. • ARA work includes ongoing engagement with the Council 	Ongoing	Ongoing
Springing Forward – Examining the building blocks for a sustainable future	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership	Planned for Autumn 2021 onwards – to be confirmed following scoping.	Project scoping

	with key stakeholders and communities.		
Review of Planning Services	Through the review we will seek to gain an insight into the Council's Planning Service. We will have regard to the economy, efficiency and effectiveness of the Planning Service and the extent to which the Council is acting in accordance with the sustainable development principle in delivering the Service	Aim to undertake work towards the end of the audit year (February/March 2022)	

Local government national studies planned / in progress

Study	Scope	Timetable	Status	Fieldwork planned at Powys County Council
Town Centre Regeneration	Review of how local authorities and their partners are addressing town centre regeneration	Publication September 2020	Drafting	N/A
Direct Payments	Review of how local authorities manage and promote the use of Direct payments	Publication Autumn 2021	Fieldwork complete; survey of recipients and providers currently underway	No – work being delivered via Direct Payment Forum and a selection of follow up interviews
Emergency Services	Review of how well emergency services (blue light) collaborate	Publication Autumn 2021	Fieldwork until end of July	No

Follow up on People Sleeping Rough	Review of how local authorities responded to the needs of people sleeping rough during the pandemic following up on the AGWs report of July 2020	TBC	Project set up	No – work being delivered via Homelessness and Supporting People Forum
Poverty	Understanding how local authorities ensure they deliver their services to minimise or reduce poverty.	TBC	Project set up	TBC
Social Enterprises	Review of how local authorities are supporting and utilising social enterprises to deliver services	TBC	Project set up	TBC
Community Resilience	Review of how local authorities can build greater resilience in communities	TBC	Project set up	TBC

Estyn

Estyn planned work 2021-22	Scope	Timetable	Status
Local Government Education Services Inspections	Estyn have worked closely with Directors of Education to review their inspection guidance for local government education services to reflect the experiences of the pandemic. The updated guidance	LGES inspections to resume from late Autumn term	N/A

	(published on 1 July) will be piloted on the first inspection and feedback will be sought on whether any further refinements need to be made.		
Curriculum Reform thematic review	Regional consortia and local authority support for curriculum reform.	Evidence collecting in Sept/Oct - publish in early February	N/A

Care Inspectorate Wales (CIW)

CIW planned work 2021-22	Scope	Timetable	Status
Assurance	CIW will be completing its work on Assurance Checks including publication of a national overview report.	July – September 2021	In progress
National review	Support for disabled children and their families.	tbc	In progress - Drafting report
Follow-up	CIW will be following up on areas for improvement identified in the Assurance Checks or through risk based inspection activity with individual local authorities where necessary.	tbc	Not yet started
Inspection	Risk based inspection activity will continue where required.	tbc	No inspections are scheduled at this time

Audit Wales national reports and other outputs published since 1 April 2021

Report title	Publication date and link to report
NHS finances data-tool 2020-21	June 2021
Rollout of the COVID-19 vaccination programme in Wales	June 2021
Quality governance arrangements at Cwm Taf UHB – follow up	May 2021
Welsh Health Specialised Services Committee governance arrangements	May 2021
At your Discretion - Local Government Discretionary Services	April 2021
Procuring and Supplying PPE for the COVID-19 Pandemic	April 2021

Audit Wales National reports and other outputs due to be published during 2021-22 (and other work in progress/planned)¹

Title	Anticipated publication date
NHS waiting times data-tool	July 2021
Supporting NHS staff well-being	August 2021
Administration of student finance	August 2021

¹ We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy and areas of possible interest for a new Public Accounts Committee following the Senedd elections.

Care home commissioning	August 2021
Picture of Public Services	September 2021
Warm Homes Programme	September 2021
Welsh Government accounts commentary	Autumn 2021
Welsh Government workforce	Autumn 2021
Orthopaedic services	Autumn 2021
Unscheduled care	Autumn 2021
Collaborative arrangements for managing local public health resources	Autumn 2021
Welsh Government setting of well-being objectives	Autumn 2021
Curriculum reform	Winter 2021
COVID response & recovery / Welsh Government grants management	TBC
Equality impact assessment	TBC
Climate change – baseline review	TBC
NHS structured assessment 2021 summary commentary	TBC
Affordable housing	TBC

Broadband infrastructure	TBC
Flood risk management	TBC

Forthcoming Good Practice Exchange events and publications

Title	Anticipated publication/event date
Town Centre Regeneration	September 2 nd 2021
The Good Practice Exchange Team are currently in the process of finalising the programme of events for the remainder of 2021/ 2022. Once finalised, our key contacts across local authorities will be notified and details of those events and how to register will be available on our website. Please keep a look out for an email update over the coming weeks'	N/A

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CYNGOR SIR POWYS COUNTY COUNCIL.

GOVERNANCE AND AUDIT COMMITTEE

30th July 2021

REPORT AUTHOR: Jane Thomas, Head of Finance

REPORT TITLE: Strategic Risk Register Report Quarter 1 2021/2022

REPORT FOR: Decision / Discussion / Information

1. Purpose

- 1.1 The Governance and Audit Committee's role is to seek assurance on the effectiveness of the arrangements in place by the Council to manage risk. The purpose of this report enables the Committee to fulfil this role by considering the report being submitted to Cabinet at their meeting of the 27th July 2021.
- 1.2 The report sets out the Council's latest position on managing its key risks, contained in the Strategic Risk Register (SRR). It also outlines the arrangements put in place by the Council for managing the key risks relating to the COVID-19 pandemic.
- 1.3 The Governance and Audit Committee are asked to review the report and the arrangements in place to ensure that there is an appropriate understanding and management of risk and that these and the actions in place to mitigate the risks are monitored and regularly reviewed.
- 1.4 To fulfil this role Committee have asked for risk owners of the following risks to attend the meeting so that members of committee can explore these particular risks in more detail.
 - **PCC0002 - The impact on the Council as a result of Brexit**
 - **WO0021 - Significant long term decrease in the working age population impacts on the Council's ability to recruit and retain or commission the workforce it needs** but more specifically the development of the health and care workforce.

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CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE
Tuesday, 27th July 2021

REPORT **County Councillor Aled Davies**
AUTHOR: **Portfolio Holder for Finance**

REPORT **Strategic Risk Register Report Quarter 1 2021/2022**
TITLE:

REPORT FOR: **Decision**

1. Purpose

- 1.1 The purpose of this report is to set out the Council's latest position on managing its key risks, contained in the Strategic Risk Register (SRR). It also outlines the arrangements put in place by the Council for managing the key risks relating to the COVID-19 pandemic.

2. Background

- 2.1 Our Strategic Risk Register is key to safeguarding the organisation and building resilience into our services. At a time when the Council has faced and is still facing unprecedented challenges, the effective management of risk is needed more than ever. A risk-managed approach to decision making will help us to achieve the well-being objectives in Vision 2025, deliver services more efficiently and using innovative and cost-effective means, and help the Council manage its COVID-19 response and recovery.

3. Advice

- 3.1 To ensure a risk managed approach to decision making and good governance of the Council, it is proposed that Cabinet:
- Review progress to mitigate strategic risks
 - Review progress to mitigate COVID-19 risks

Review of progress to mitigate Strategic Risks

- 3.2 As at the end of quarter 1 2021-2022, there are 13 risks on the strategic risk register and all strategic risk owners have provided a short summary of progress since last quarter, to give assurance that mitigating actions are being actioned and monitored.
- 3.3 Please see appendix A for full details of the 13 strategic risks including the mitigating actions identified to control them and progress reviews.

- 3.4 Please see appendix B to view a heat map which presents the results of the quarter 1 risk assessment process visually. It highlights (for the residual risks) that two out of the thirteen risks have a probability of 'almost certain' with one placed within the 'moderate' impact category and other in 'major'.

Also, that two risks have a probability of 'likely' with one placed within the 'major' impact category and other in 'catastrophic'.

Escalation of risks and amendments to the Strategic Risk Register

- 3.5 Housing and Community Services would like to place the following risk on the Strategic Risk Register with an inherent and residual probability of 'likely' and impact of 'major':

HO0031: Increasing costs of building materials to new housing developments.

The potential consequences are as follows:

- Financial unviability of schemes may mean that scheme starts have to be delayed to allow scope for material costs to reduce. If material costs do not reduce, then schemes may have to be rescoped to allow for reduced use of the highest cost/highest demand materials, while still being able to comply with Welsh Government requirements for the award of Social Housing Grant.
- The number of contractors able to tender for development schemes may become limited, depending on contractor confidence in its ability to access supplies at the right time and at competitive prices.
- Increasing tender prices may impact adversely on the financial viability of schemes which if it is not, for whatever reasons possible, to delay schemes that have started may require reallocation of Housing Revenue Account (HRA) resources from other capital investment projects or from the HRA reserve.
- Material shortages may cause delays with schemes once on-site.

Housing Services is reviewing design requirements to consider where there may be scope to reduce the need of high cost/high demand materials and contract arrangements to explore the extent to which contractual terms can mitigate risks to the Council. Regular engagement with contractors allows Housing Services to keep abreast of market imperatives. The market for materials and labour is under constant review to inform any changes that may be necessary to the timing of the development programme.

Housing development is a major part of delivering 'Vision 2025: Our Corporate Improvement Plan'. The risks attached to material supplies are sufficiently challenging to warrant Cabinet having sight of the on-going situation and the measures being taken to manage what is an industry-wide risk.

COVID-19 risk register

- 3.6 In order to effectively identify and manage risks relating specifically to the COVID-19 pandemic, a separate risk register was created to provide clarity and oversight for Gold and Silver Command. These risks are reviewed and monitored regularly and have been separated into response and recovery risks, using a matrix developed specifically for assessing COVID-19 related risks.
- 3.7 The Council has been transitioning from business critical activity to 'business as usual' and the 'new normal'. As a result, services are incorporating ongoing risks into their own service registers and the numbers of risks on COVID-19 risk register have reduced. The Council will continue to monitor the situation carefully and respond accordingly.
- 3.8 Currently there are 22 risks recorded on the COVID-19 risk register, a drop of 4 since last quarter. 1 of the 22 risks is placed within the 'major' impact category with a probability of 'likely' and 1 placed within the 'catastrophic' impact category with a probability of 'possible'. The register is still monitored by Gold and Silver Command on a weekly basis. Please see appendix C for full details of the 22 risks, and progress against the mitigating actions identified to control them.

4. Resource Implications

- 4.1 There are no direct resource implications in relation to this report however all risk owners need to consider the resource implications of managing the risk and decide if the best course of action is to tolerate or treat.
- 4.2 The Strategic Risk Register outlines the key risks to the Council's activities, as well as risk to delivery of objectives contained within the Corporate Improvement Plan. There are no direct financial implications from the report although these may arise as new risks are identified on an on-going basis.

The Head of Finance (Section 151 Officer) notes the comment above, financial implications are identified through the relevant service and are considered through the financial management processes in line with the authorities' financial regulations.

5. Legal implications

- 5.1 Legal: Been requested
- 5.2 The Head of Legal and Democratic Services (Monitoring Officer) comment sought.

6. Data Protection

- 6.1 N/A

7. Comment from local member(s)

7.1 N/A

8. Integrated Impact Assessment

8.1 N/A. The Service Risk Register is not setting out any changes or proposals to service delivery.

9. Recommendation

It is recommended that Cabinet notes the current Strategic Risk and COVID-19 Risk Registers and is satisfied with progress against mitigating actions for quarter 1 and approves the escalation of HO0031 to the Strategic Risk Register.

The recommendation above will ensure:

- **Appropriate understanding and management of strategic risks which could prevent us from achieving our objectives**
- **A risk managed approach to decision making and good governance of the Council**
- **The risk related to Powys residents, services and Council staff as a result of a COVID-19 (Coronavirus) epidemic is monitored and reviewed regularly.**

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Head of Service: Jane Thomas, Head of Finance

Corporate Director: Dr. Caroline Turner, Chief Executive officer.

Strategic Risk Register

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
ASC0064 Michael Gray Escalated From :- Powys County Council Page 29	WCCIS Unreliability - IF the unreliability of WCCIS is not resolved THEN	Veracity of decision making around adults and children in Powys will be compromised, leading to poor outcomes <ul style="list-style-type: none"> The safeguarding of children and adults in Powys will be compromised There will be significant delays in securing time critical packages of care Our ability to manage transfers of people from hospital to the community will be compromised We will not be able to respond effectively to out of hours emergencies There will be delays in making decision and taking action to keep children safe Staff morale will be affected further, leading to increased sickness absence and staff leaving 	04/07/2021 1st Qtr 2021/22 Review Summary: Reliability of Advanced remains unsatisfactory. Continued meetings with supplier to seek assurances on how they will address these issues. Serious loss of service experienced on 25th May resulting in lack of access to client records across Children's and Adults Services. Business case due to commence in ICT to explore what other client management database options can be pursued.	Cllr Myfanwy Alexander Alison Bulman	20	20	<ul style="list-style-type: none"> Performance issues raised to Welsh Government through SBAR Monthly Contract review meetings with Supplier Steer change management 	Action In Progress Action In Progress Control In Place

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
COVID0058 Lynette Lovell Escalated From :- Powys County Council	Post Inspection Action Plan (PIAP) for Estyn - Coronavirus may impact on the ability of the service to maintain the level of progress against the PIAP. In particular Recommendation 1 of the PIAP - 'Improve standards in secondary schools and more able learners' as schools are currently closed. Also, Recommendation 4 (the School Transformation / re-organisation programme) could be affected by the Council's ability to conduct strategy consultations relating to Schools Organisation.	Progress against the PIAP may be affected due to the Covid-19 pandemic.	30/05/2021 1st Qtr 2021/22 Review Summary: Work to deliver the PIAP has continued alongside business critical support to schools, families and learners. R1: The Secondary School Improvement Strategy has been developed to deliver this recommendation. R2: This recommendation was completed during quarter 4, future improvements will be delivered via the ALN Strategy. R3: This recommendation is over 80% complete. Progress within quarter includes the implementation of the new staffing structure. R4: The Transforming Education in Powys programme is progressing at pace and to schedule. R5: Good progress continues to be made including recruitment of two new Cluster Business Managers in the Welshpool and Newtown clusters. Officers from the Schools Service and the Finance Team work closely alongside nearly all schools which has resulted in lower projected deficit positions for the schools delegated budget this financial year and beyond. Robust governance and monitoring processes are in place to oversee the progress against each of the recommendations and the PIAP as whole. This has included the Improvement and Assurance Board being stepped down due to appropriate progress being made in most of the recommendations. Quality assurance processes are also robust, which includes effective support and challenge from the Portfolio Holder for Education, through senior management team meetings and formal scrutiny. 28/02/2021	Cllr Phyl Davies Lynette Lovell	<div>12</div>	<div>6</div>	<ul style="list-style-type: none"> Continue to deliver service improvement September Update Ongoing progress / service improvement as specified in the PIAP Control January 2021 	Action In Progress Withdrawn Withdrawn Withdrawn Withdrawn

Strategic Risk Register				Portfolio	Inherent Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service		Control or Action	Status
Page 31			<p>4th Qtr 20/21 Review summary. Work to deliver the PIAP has continued alongside business critical support to schools, families and learners.</p> <p>Regarding R1: The Secondary School Improvement Strategy has been developed to deliver this recommendation.</p> <p>Regarding R2: This recommendation was completed during quarter 4, future improvements will be delivered via the ALN Strategy.</p> <p>Regarding R3: This recommendation is over 80% complete. Progress within quarter includes the implementation of the new staffing structure.</p> <p>Regarding R4: The Transforming Education in Powys programme is progressing at pace and to schedule.</p> <p>Regarding R5: Good progress continues to be made including recruitment of two new Cluster Business Managers in the Welshpool and Newtown clusters.</p> <p>07/02/2021</p> <hr/> <p>Review Summary: This risk was reviewed on 09.02.21 and is up to date</p> <p>31/01/2021</p> <hr/> <p>Review Summary: This risk was reviewed on 3/2/2021 and is up to date.</p> <p>24/01/2021</p> <hr/> <p>03/01/2021</p> <hr/> <p>13/12/2020</p> <hr/> <p>06/12/2020</p> <hr/> <p>29/11/2020</p> <hr/> <p>22/11/2020</p> <hr/> <p>15/11/2020</p> <hr/> <p>08/11/2020</p> <hr/> <p>01/11/2020</p> <hr/>				

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
Page 32			25/10/2020					
			18/10/2020					
			11/10/2020					
			04/10/2020					
			27/09/2020					
			20/09/2020					
			13/09/2020					
			06/09/2020					
			02/08/2020					
			19/07/2020					
			12/07/2020					
			05/07/2020					
			28/06/2020					
			07/06/2020					

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
CS0081 Jan Coles Escalated From :- Powys County Council	BUDGET: If Children's Services are unable to manage within budget due to: - Market sufficiency for children's placements - Reliance on agency social workers - Inflationary costs and management of pressures - Surge in demand due to COVID-19 - Ending of grant funding	Then this will have implications for the whole Council: - Unable to meet statutory duties - Leaving service users at risk - Reputational damage to the Authority - Unable to manage within financial envelope	04/07/2021 1st Qtr 2021/22 Review Summary: Maximising use of all available grants Ensuring pressures in the service are known and mitigating action taken where possible Closer to home activity continues with HOCS oversight Bids to the council recovery fund made to enable early help and front door services can manage demand away from statutory services wherever possible Work to reduce the number of children brought into public care continues to be successful Number of children looked after has reduced 28/03/2021 4th Qtr 2020/21 Review Summary: Controls and Actions Reviewed 31/3/21 Children Services is 2 years into a long-term strategy to reduce our reliance on Agency Social Workers through our 'Grow Our Own' work. Grant funding for specific work is a feature of the way that Children Services is funded by WG and we work closely with WG to ensure we are able to maximise use of all grants made available and bid for additional grant funding. Children Services is also 2 years into a long-term strategy to rebalance the placement provision in County and reduce dependency on out of county providers. The pandemic has brought about uncertainty and an increase in demand which we are monitoring carefully. We are working with multi agency partners to ensure we are working together to support children and their families, guard against duplication of work and respond to need as early as possible, preventing escalation.	Cllr Rachel Powell Alison Bulman	12	9	<ul style="list-style-type: none"> • Ensure market within Powys is sufficient to meet demand • Work to reduce reliance on agency social workers • Make best use of Welsh Government COVID-19 Hardship Fund and other available resources • Ensure Continuing Care for Children and Young People protocol being applied correctly and consistently • Integrated budget planning • Develop early intervention and prevention services in order to mitigate demand on longer term services • Ability to meet the requirements of the MTFS / Retaining grant funding around posts within Children's Services • Work with service providers to limit impact of supreme court legal judgement 	Action In Progress Action In Progress Action In Progress Action In Progress Control In Place Control In Place Withdrawn Withdrawn

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
ED0022 Lynette Lovell Escalated From :- Powys County Council Page 34	The council will be unable to manage the schools' budget without ongoing adjustments to the distribution formula and improving financial management. If they are unable to manage the budget, there will be a significant compromise to the quality of education for Powys learners.	Some schools will have escalating deficits which will have a financial impact on the rest of the Council and the learners in their care.	04/07/2021 1st Qtr 2021/22 Review Summary: Warning notices issued to four Powys schools due to financial concerns have now been removed. We have removed the warning notices for Crickhowell High School, Welshpool High School, Ysgol Bro Hyddgen and Ysgol Gymraeg Y Dyffryn Y Glowyr after reviewing the latest budget proposals submitted by the schools. Warning notices are in place for Ysgol Calon Cymru and Ysgol Maesydderwen and warning notices for Brecon High School and Ysgol Cedewain will be reviewed in the Autumn. The warning notices issued to these schools have been in place since July 2019. A warning notice was issued to Clyro Church in Wales School in December 2020 due to financial concerns. Financial delegation continues to be suspended at the school. No further warning issues are being issued by the council currently but will do so to schools if there is a cause for concern. Confirmation on the removal of the warning notices was reported in an information report on schools' financial position at the end of March 2021 as well as the budget plans for 2021-22, which were considered by Cabinet on Tuesday, July 13. Cabinet were also informed that at the end of March 2021, 81 schools were in a surplus position with a combined surplus balance of £6.9m. However, there are 14 schools in a deficit balance position with a combined cumulative deficit of £3.7m but this does compare favourably with the end of March 2020, where there were 23 schools with a combined deficit of £4.9m. 80 schools were budgeting to be in a cumulative surplus position at the end of March 2022. These budgets meet the criteria to be approved under the Scheme for	Cllr Phyl Davies Lynette Lovell	12	9	<ul style="list-style-type: none"> Implementation of R5 in the PIAP PIAP 	Action In Progress Control In Place

Strategic Risk Register				Portfolio	Inherent Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service		Control or Action	Status
Page 35			Financing Schools. However, there are 11 schools that are budgeting to be in a cumulative deficit position at the end of March 2022. Four of these schools meet the criteria within the Scheme for Financing Schools to be a licensed deficit while seven schools did not meet the criteria and are unlicensed according to the scheme. 11/04/2021 4th Qtr 20/21 Review Summary: 4th Quarter 2020-21. Review Summary: -The provision of additional grants to support Covid-19 related spend during February and March 2021 will improve the overall financial positions of schools at year end and will allow schools to fund additional support for learners as they return to school. -All schools received their updated funding packs for 2021-22 and beyond and are currently working on their budgets for the new financial year. Once these are approved by the Governing Body they will be submitted by 1st May. -Some schools continue to be in a significant deficit position and causing some concern, although the vast majority are working well with the authority to manage reductions in their deficit. The authority has had to suspend financial delegation at one school following a refusal to submit a recovery plan. -Small group training and support has been provided on finance to individual schools and any new business managers / bursars and work is continuing with the Business Manager / Bursar Working Group. Two new cluster business managers took up their posts in January and have been supported as they settle into their new roles. -The schools funding formula has been updated for the ALN funding changes agreed as part of the funding formula review in 2020. The Schools' Budget Forum has agreed the Terms of Reference for the 2021 Formula Review Group which will be reviewing the whole formula to better meet the needs of the post-transformation schools estate. The group's work will take place over the summer				

Strategic Risk Register				Portfolio	Inherent Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service		Control or Action	Status
Page 36			<p>term.</p> <p>-The benchmarking tool has been demonstrated to Headteachers and will be rolled out to schools early in the summer term.</p> <p>10/01/2021</p> <hr/> <p>3rd Qtr 2020-2021. Review Summary: A rolling programme of the review of the school budget funding formula has continued through 2020 despite the pandemic, although the scale of the review was limited to the Additional Learning Needs (ALN) funding element as this was needed urgently. A full review of the whole formula will begin in 2021 with the aim of ensuring that the formula will be suitable for the post-transformation configuration of schools.</p> <p>All schools in a deficit or significant surplus position in May 2020 were asked to submit Recovery Plans or Spend plans by mid October 2020. These were reviewed by the Interim Chief Education Officer and Head of Finance for any follow up actions which were addressed where needed.</p> <p>The Schools finance team have worked with schools to identify the financial impact of their response to the Covid-19 pandemic, including ensuring that additional expenditure / lost income is accurately recorded and claimed and that any savings / delayed savings are identified and captured. Autumn Term finance surgeries were undertaken with all schools. All opportunities were taken to reinforce the importance of good financial housekeeping (e.g. accuracy of coding etc.) and to keep schools updated on the latest economic / financial issues.</p> <p>Training and support has been provided to individual schools and any new business managers. Governor Finance training was provided in November 2020 and support has been provided for the Business Manager recruitment processes.</p> <p>The ALN element of the funding formula has been reviewed by a working group of authority officers, head teachers and governor representatives with the aim of ensuring that the budget is more closely targeted to learners with ALN. The revised funding methodology has been agreed by</p>				

Strategic Risk Register				Portfolio	Inherent Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service		Control or Action	Status
Page 37			<p>Schools' Budget Forum and Cabinet and the impact assessment and transitional arrangements are being prepared.</p> <p>04/10/2020</p> <hr/> <p>Qtr 2 20/21. Review Summary: In Quarter 1 the new formula was in place for schools, and the change mainly affects the secondary schools in Powys. The authority's ability to evaluate the impact of the change has been hampered by the pandemic, but in the budget setting process the signs were encouraging and were pointing towards reducing the overall in-year deficits within the secondary sector.</p> <p>All schools budget submissions were reviewed by the interim Chief Education Officer and SSMT in conjunction with the Head of Finance. All schools in a deficit or significant surplus position were asked to submit Recovery Plans or Spend plans, supported by all appropriate documentation by 16th October. The Schools finance team have worked with schools to identify the financial impact of their response to the Covid-19 pandemic, including ensuring that additional expenditure / lost income is accurately recorded and claimed and that any savings / delayed savings are identified and captured. Autumn Term finance surgeries have begun, prioritising those schools with deficits / concerns around finances. All opportunities taken to reinforce importance of good financial housekeeping (e.g. accuracy of coding etc. and to keep schools updated on latest economic / financial issues.</p> <p>1-2-1 training and support has been provided to individual schools as required and additional support has been provided for any new business managers. Finance training was provided as part of the New Head Induction training. Support has been provided for Business Manager recruitment processes. The ALN element of the funding formula is currently being reviewed by a working group of authority officers, head teachers and governor representatives to ensure that the budget is more closely targeted to learners with ALN.</p>				

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
Page 38			28/06/2020					
			26/04/2020					
			12/01/2020					

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
FIN0001 Jane Thomas Escalated From :- Powys County Council	The Council is unable to deliver a financially sustainable budget over the short and medium term. The probability of this risk is heightened due to the impact of the Covid-19 pandemic and its impact on Welsh Government funding and subsequent settlements to the Council.	- The Council is unable to fulfil its legal obligation in setting a balanced budget - The Council will not be financially resilient or sustainable - Council reputation damaged - Inability to fulfil our statutory requirements	<p>04/07/2021</p> <p>1st Qtr 2021/22 Review Summary: The outturn position improved by the support from WG provides confidence that the financial position in the new year is not likely to now be catastrophic. The impact on future year budget settlements are unknown and at this stage we are completing a worst case scenario for budget setting</p> <p>11/04/2021</p> <p>4th Qtr 20/21 Review Summary: The Council has approved a Revenue budget and Capital Programme for 2021/22. The budget fully considers the pressures facing services through next year and includes a robust set of cost reductions for which Heads of Service have provided assurance they can deliver. The MTFS for the next 4 years still has significant budget gaps totalling £38 million over the next 4 years and our focus has to now turn quickly to review this and how we plan to address the shortfall. There is currently no indication of what future funding settlements could look like so the Council will continue to use scenario planning to look at worse and best case scenarios. Continued discussions through SWT with WG and WLGA will ensure that all parties are fully informed of any impact proposed settlements would have.</p> <p>10/01/2021</p> <p>3rd Qtr 2020-2021. Review Summary: The development of the budget has been completed by Cabinet following the receipt of the Provisional Settlement on the 22nd December providing the Council with an additional 4% in 'Aggregate External Finance' (AEF) funding for 2021/22. The additional settlement has helped bridge the remaining budget gap and Cabinet will propose a balanced budget for 2021/22. There is no indication of future funding levels, the Mid Term Financial Strategy (MTFS) has been updated to reflect the current economic climate and the 5 year Finance Resource Model (FRM) still shows significant budget gaps across the following 4 years based on a</p>	Cllr Aled Davies Jane Thomas	16	12	<ul style="list-style-type: none"> WG claims for Hardship and lost income continue and expect to remain in place til march 2021 Revise the Medium Term Financial Strategy Ongoing discussion with WG and WLGA through Society of Welsh Treasurers for Future Funding of Local Government Reassessment of the activities of the Council through the Recovery Coordination Group Review budget position at end of first quarter and consider changes to the 2020/21 budget Cost Recovery work 3rd party spend reduction Income Generation Monthly reports to cabinet and Management Team on budget progress and progress on savings Budget Challenge Events Moved to a 3 year balanced budget 	Action In Progress Action In Progress Action In Progress Action Completed Control In Place Withdrawn Withdrawn Withdrawn Withdrawn Withdrawn Withdrawn

Strategic Risk Register				Portfolio	Inherent Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service		Control or Action	Status
Page 40			number of scenarios. The MTFS sets out the principles and approach that will be adopted to identify ways of bridging these gaps. The impact of the ongoing pandemic has been considered in the plans and we await confirmation of WG funding to support this. 11/10/2020				
			Qtr 2 20/21 Review Summary: Q2 outturn deficit reduced due to the WG support - services still improving on their forecasts to minimise the demand on reserves.				
			Budgeting challenge through IBP process is ongoing with Services being asked to bridge the gaps they evidenced through the first Service Finance Resource Model (FRM) discussions - £19m to be addressed, which is not sustainable even with optimistic WG settlement scenarios 05/07/2020				
			03/05/2020				
			05/01/2020				
			29/09/2019				
			07/04/2019				

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
HO0024 Nina Davies Escalated From :- Powys County Council	Failing to meet all applicable statutory requirements providing for the health and safety of the occupants in Powys County Council Housing Stock .	<ul style="list-style-type: none"> Increased risk of death & serious injury. Reputational risk. Failure to support well-being and peace of mind of residents and tenants 	<p>04/07/2021</p> <p>1st Qtr 2021/22. Review Summary: The Compliance One Hundred Team manage each element of compliance for the Housing Service and report on a monthly basis to the Housing Compliance Project Board and Housing Services Improvement Board Welsh Government have stated that significant progress has been made, however, meetings continue on a bi-monthly basis to ensure progress continues. Key focus remains with the Compliance On Hundred Team and staff contracts have been extended until December 2021.</p> <p>18/04/2021</p> <p>Qtr 4 20/21. Review summary: The Compliance One Hundred Team manage each element of compliance for the Housing Service and report on a monthly basis to the Housing Compliance Project Board and Housing Services Improvement Board. Welsh Government have stated that significant progress has been made, meetings continue on a bi-monthly basis to ensure progress continues. Key focus remains with the Compliance One Hundred Team and staff contracts have been extended until December 2021.</p>	Cllr Iain McIntosh Nina Davies	<div>12</div>	<div>6</div>	<ul style="list-style-type: none"> Continued delivery of Compliance One Hundred project to drive up compliance and quality assurance with clear focus on... Fire Safety; Asbestos Management; Fixed Electrical Installations; LOLER; Water Systems; Heating Systems. 	Action In Progress Action In Progress

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
ICT0010 Diane Reynolds Escalated From :- Powys County Council	Non compliance with data protection legislation (General Data Protection Regulations (GDPR) and UK Data Protection Act (DPA) 2018	'- Potential fine of up to £17,000,000 or 4% of annual turnover - The Council is subject to regulatory data protection audits - Reputational damage - Regulatory enforcement action - Detriment to the data subjects - Civil action and associated consequences	04/07/2021 1st Qtr 2021/22 Review Summary: Control activities continue to be developed, implemented and monitored, taking into account work reactive nature of some elements of work, as services develop, change and transform. Personal data breach continue to occur, very often due to human error. The reporting of such breaches to the regulator (ICO) undertaken in line with obligations placed on the council. The more robust the Council's IG and security frameworks the better placed the council is to defend its practices to the ICO despite breaches of data protection legislation having occurred. 04/04/2021 4th Qtr 20/21 Review Summary: Control activities continue to be developed, implemented and monitored. New IMAG plan 2021-2023 developed and agreed by CIGG March 2021, in order to further improve IG practices and compliance, taking into account work ongoing to support additional national Test, Trace and Protect work, SAR backlog is being addressed with those resources available to undertake such work. Personal data breach continue to occur, very often due to human error. The reporting of such breaches to the regulator (ICO) undertaken in line with obligations placed on the council. The more robust the Council's IG and security frameworks the better placed the council is to defend its practices to the ICO despite breaches of data protection legislation having occurred. 20/12/2020 3rd Qtr 2020-2021. Review Summary: Control activities continue such as Data Protection Impact Assessments, Data Processing Agreements etc. Information Security and personal data breach investigations continue to be managed and responded to. The Corporate Information Governance Group (CIGG) have considered and challenged elements of activity within the Council's Information Management	Cllr Beverley Baynham Diane Reynolds	12	12	<ul style="list-style-type: none"> - Information Asset Register - Development of internal records of processing - Review of postal checking regimes in place - Provision of information to EMT, HoS, and Team Meetings - Presentations to schools - GDPR Surgeries - Review current ISP in line with revised versions - Staff training - Communication Plan - Policies and Procedures - Review existing Data Processing agreements - Ensure signed agreements are appropriately stored - Develop data controller vs data Processor check list for services - Personal Data Breach Management - Data Protection Impact Assessments - Cyber Security Action Plan - DPO considerations on reports to Cabinet - Information sharing protocols - Data sharing agreements - Identify where information sharing takes place - Implement revised WASPI Accord and templates - Revised centralised ISP register to link to information Asset and Record of Processing Activities (ROPA) - Create policy on services undertaking due diligence potential processors - Create log of data processors and agreements linking to information asset and ROPA 	Action In Progress Action In Progress Action In Progress Action Completed Action Completed Action Completed Action Completed Control In Place Control In Place Control In Place Control In Place Control In Place Control In Place Control In Place Control In Place Control In Place Control In Place Withdrawn Withdrawn Withdrawn Withdrawn Withdrawn Withdrawn

Strategic Risk Register				Portfolio	Inherent Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service		Control or Action	Status
Page 43			Assurance and Governance plan (IMAG) to improve IG practices, taking into account work ongoing to support additional national Test, trace and Protect work, to ensure the lawful and fair use of personal data to deliver the Council's response to COVID 19. Subject Access Request (SAR) backlog is being addressed with those resources available to undertake such work. <u>27/09/2020</u>				
			Qtr 2 20-21 Review Summary: Control activities continue, such as Data Protection Impact Assessments, Data Processing Agreements etc. Information Security and personal data breach investigations continue to be managed and responded to. The Corporate Information Governance Group (CIGG) have considered and challenged elements of activity within the Council's Information Management Assurance and Governance plan (IMAG) to improve IG practices, taking into account work ongoing to support additional national Test, trace and Protect work. Subject Access request (SAR) backlog to be included within COVID recovery planning alongside other information request recovery activity <u>05/07/2020</u>				
			<u>29/03/2020</u>				
			<u>05/01/2020</u>				
			<u>13/10/2019</u>				
			<u>07/04/2019</u>				
			<u>31/03/2019</u>				
			<u>03/03/2019</u>				

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
ICT0029 Diane Reynolds Escalated From :- Powys County Council	Cyber Security Threat. Risk of financial loss, disruption or damage to the reputation of Powys County Council from a failure of its information technology systems and or/loss of Data due to a cyber attack or Incident.	Loss of Information systems until they can be successfully restored. Loss of data, inability to access data or public disclosure of Personal Data. Cyber risk could materialize in a variety of ways, such as: • Deliberate and unauthorized breaches of security to gain access to information systems. • Unintentional or accidental breaches of security. • Operational IT risks due to factors such as poor system integrity.	<u>20/06/2021</u> Qtr 1 2021/22 Review Summary: Investment made into additional Security Tools to detect and Prevent Malware <u>11/04/2021</u> Qtr 4 20/21 Review Summary: Capital Budget is being used to fund advanced Threat Detection Software for Endpoints. Welsh Government Cyber Resilience Funding used to purchase Anti-Ransomware product to protect Sharepoint and on Site storage files <u>03/01/2021</u> 3rd Qtr 2020-2021 Review Summary: Control Actions to reduce risk reviewed, Capital Budget had been approved for next 5 years to invest in Cyber Security. <u>04/10/2020</u> Qtr 2 20/21. Review Summary: Security Operation policy and Process formally documented, A Cyber Response procedure is in progress detailing Deter, Detect, Respond, and Recover procedures <u>28/06/2020</u> <u>22/03/2020</u> <u>29/12/2019</u> <u>15/12/2019</u> <u>07/07/2019</u> <u>07/04/2019</u>	Cllr Beverley Baynham Diane Reynolds	12	9	<ul style="list-style-type: none"> NCSC 10 Steps Actions Risk Management NCSC 10 Steps Actions Engagement & Training NCSC 10 Steps Assett Management NCSC 10 Steps Actions Architecture and Configuration NCSC 10 Steps Actions Vulnerability Management NCSC 10 Steps Actions Identity and Access Management NCSC 10 Steps Actions Data Security NCSC 10 Steps Logging and Monitoring NCSC 10 Steps Incident Management NCSC 10 Steps Actions Supply Chain Security Additional Staff Awareness Major Incident response processes Disaster Recovery Procedures Security Operations Procedures Policy Capital investment in Security Operations Management Tools Capital Investment SBAR Reporting Cloud Security controls in place to detect and prevent malicious content in Office365 End Point AntiVirus in place detecting known threats Device Encryption Annual Penetration testing Cyber Security Improvement Plan Cyber Security Certification 	Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Completed Completed Completed Completed Control In Place Control In Place Control In Place Control In Place Control In Place

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
							• Staff Training	Control In Place
							• Detection and Response Tools	Control In Place
Page 45								

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
PCC0002 Nigel Brinn	The impact on the Council as a result of Brexit.	<ul style="list-style-type: none"> - Increased service demand; - Relocation from the EU to Powys of families - estimated at 500; - Fuel shortages; - Loss of access to external (EU) funding programmes; - Reduced income to Powys County Council; - External market factors; - GDPR compliance; - Potential financial crash; - Unable to recruit/retain staff (EU Nationals); - Employee workload; - Delays/disruption to food and/or essential supplies. 	<p>04/07/2021</p> <p>1st Qtr 2021/22. Review Summary: Work continues on assessment of how this will impact PCC and local businesses. This will be ongoing as new legislation comes through from Welsh Government. Further funding has been agreed from WG for Brexit Co-ordinator role and the best use of this funding will be agreed with HOS as part of a Regeneration restructure.</p> <p>11/04/2021</p> <p>Qtr 4 20/21 Review Summary: Work continues on assessment of how this will impact PCC and local businesses. This will be ongoing as new legislation comes through from Welsh Government. Further funding has been agreed from WG for Brexit Co-ordinator role and the best use of this funding will be agreed with HOS.</p> <p>10/01/2021</p> <p>3rd Qtr 2020-2021. Review Summary: The Brexit transition is now complete and a deal has been agreed. Work continues on assessment of how this will impact PCC and local businesses. This will be ongoing as new legislation comes through from Welsh Government.</p> <p>04/10/2020</p> <p>Review Summary: No change to risk rating. The Strategic Brexit Risk Register and associated contingency plans are still in place. Powys County Council continue to work with our partner agencies, Welsh Local Government Association, and Welsh Government to ensure that we are aware of, and acting to the latest advice and guidance.</p> <p>28/06/2020</p> <p>12/04/2020</p> <p>12/01/2020</p> <p>06/10/2019</p>	<p>Cllr Rosemaire Harris</p> <p>Nigel Brinn</p>	16	12	<ul style="list-style-type: none"> • Close monitoring • Continue to monitor economic indicators • Ongoing dialogue with external advisers • Cabinet briefed • Advice from pension advisers • Continue to work with WEFO • Brexit Continuity Plan • Brexit Risk Register 	<p>Action In Progress</p> <p>Action In Progress</p> <p>Action In Progress</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p>

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
			07/07/2019					
			07/04/2019					
			31/03/2019					
			03/03/2019					

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
PCC0003 Caroline Turner	The council receives a negative regulatory / inspection report	<ul style="list-style-type: none"> - Meeting regulatory and legislative duties - Ability to provide a good quality of service to service users - Managing demand on the service - Recruitment and retention of staff - Staff morale - Reputational damage 	<p>04/07/2021</p> <p>Qtr 1 2021/22. Review Summary: Education Service are preparing for the Estyn Improvement Conference in November 2021. Inspection of Youth Justice Board arrangements is due soon. In future, all Inspection Reports will be considered by Governance & Audit Committee.</p> <p>11/04/2021</p> <p>Qtr 4 2020/21. Review Summary: Social Services are no longer subject to enhanced monitoring by CIW. Estyn will undertake a further visit in November 2021 and in the meantime their Local Authority Inspectors will continue to have frequent meetings with Service Leaders and others.</p> <p>10/01/2021</p> <p>Qtr 3 2020/21. Review Summary. At the Improvement Conference in October 2020, CIW confirmed they were happy with the progress of Social Services and that they no longer needed enhanced monitoring. Estyn undertook an improvement conference and concluded that: During the conference, the local authority demonstrated that it has begun to make sound progress since the inspection. It is showing a clear commitment to addressing the issues that were raised as well as evaluating its progress against its plans. Importantly, it is building leadership capacity which has the potential to secure sustainable improvements. Overall, the local authority has identified sufficient resources to implement its plans as well as considering the barriers to progress and associated risks appropriately.</p> <p>Audit Wales conducted audits of Workforce Planning, the Vision 2025 Transformation Programme, and Environmental Health all of which were positive.</p> <p>04/10/2020</p> <p>Qtr 2 20/21. Review Summary: Care Inspectorate Wales (CIW) Monitoring Visit held week 14th September 2020, but outcome letter has not yet been received.</p>	<p>Cllr Rosemaire Harris</p> <p>Caroline Turner</p>	12	9	<ul style="list-style-type: none"> • Improvement and assurance board • Improvement plans • Communications strategy (internal/external) • close working relationships with regulators • corporate support provided to services • close working relationship with WG 	<p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p>

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
			This risk will be reviewed following the CIW Improvement Conference on the 9th October, and the Estyn Improvement Conference on the 18th-19th November.					
			<u>28/06/2020</u>					
			<u>22/03/2020</u>					
			<u>05/01/2020</u>					
			<u>08/09/2019</u>					

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
PCC0005 Nigel Brinn	The impact to Powys residents, services and Council staff as a result of a COVID-19 (Coronavirus) epidemic	Increased staff absenteeism; Increase demand for services from residents Increased workload for council staff as a result of staff absence and increased service demand Closure of Council premises resulting in reduced services to residents and office accommodation	<p>04/07/2021</p> <p>1st Qtr 2021/22. Review Summary: The Council revoked Business critical activity in May 2021 and have been transitioning to BAU activity for most services. Children's Services, Adult Services and Commissioning continue to operate in BCP due to pressures on these services. All risk assessments and BCP's have been updated to reflect new pressures identified by a possible third wave.</p> <p>11/04/2021</p> <p>Review Summary: 4th Qtr 20/21 Review Summary: The Council has developed a separate risk register for the Coronavirus pandemic. There are now 3 severe risks to the Council which are Adult Services, Children's Services and Financial impact.</p> <p>There are mitigating actions in place for all the risks identified and the risk register is reviewed weekly by the Council's internal GOLD Command Group (part of the Council's Emergency Response arrangements).</p> <p>17/01/2021</p> <p>3rd Qtr 20/21 Review Summary: The Council has developed a separate risk register for the Coronavirus pandemic. The risks captured in this assessment include: Increase in services demands Financial impact on the council Availability of Personal Protective Equipment Reopening of Schools Safeguarding Workforce absence Delivery of Test Trace and Protect in conjunction with PTHB</p> <p>There are mitigating actions in place for all the risks identified and the risk register is reviewed weekly by the Council's internal GOLD Command Group (part of the Council's Emergency Response arrangements).</p> <p>04/10/2020</p>	Cllr Rosemaire Harris Nigel Brinn	25	15	<ul style="list-style-type: none"> Update Business Continuity Plans (at Service and Corporate Level); Establishment of an Internal Silver Command Powys County Council Representation on Powys Teaching Health Board Gold and Silver Command; Liaison with all Local Resilience Forum (LRF) Partners; PCC Liaison with Welsh Government and Public Health Wales; Communication and engagement with schools. Communications to residents, staff and members 	<p>Action Completed</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p>

Strategic Risk Register				Portfolio	Inherent Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service		Control or Action	Status
Page 51			<p>2nd Qtr 20/21.</p> <p>Review Summary: The Council has developed a separate risk register for the Coronavirus pandemic. The risks captured in this assessment include:</p> <ul style="list-style-type: none"> Increase in services demands Financial impact on the council Availability of Personal Protective Equipment Reopening of Schools Safeguarding Workforce absence Delivery of Test Trace and Protect in conjunction with PtHB <p>There are mitigating actions in place for all the risks identified and the risk register is reviewed weekly by the Council's internal GOLD Command Group (part of the Council's Emergency Response arrangements).</p> <p>12/07/2020</p> <hr/> <p>21/06/2020</p> <hr/> <p>03/05/2020</p> <hr/>				

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
PPPP0007 Nigel Brinn Escalated From :- Powys County Council	Heart of Wales Property Services (HOWPS) being unable to undertake contracted work in a timely and cost effective manner.	- Failure of statutory functions (Compliance). Potential for prosecution (HSE) and prohibition notices. - Failure to perform repairs and maintenance. Could lead to legal action against the authority. - Reputational damage to PCC (client credibility). - Cost to PCC for poor performance. - Officer time costs (due to additional workload). - Financial Risk to HRA and wider Authority. - Critical Wales Audit Office Report. - Non-delivery of key projects due to lack of resources. - Health and safety risks.	04/07/2021 1st Qtr 2021/22 Review Summary: - Risks have increased as a result of the decision to end the contract with HOWPS and bring services back inhouse and as a result of a review of risks by the HOWPS Risk Register working group. Controls and Actions continue to be implemented. Review of controls and actions to be undertaken monthly. 11/04/2021 4th Qtr 2020/21 Review Summary: -Continued monitoring of HOWPS performance via monthly Contract Management Forum, weekly service area meetings with HOWPS, internal working groups on specific areas of concern, Compliance Boards and regular Cabinet/EMT updates. -Step in implemented for part of housing contact. -Rectification plans secured in relating to poorly performing areas. -Contract review ongoing. 10/01/2021 3rd Qtr 2020-2021. Review Summary: - Continued monitoring of HOWPS performance via monthly Contract Management Forum, weekly service area meetings with HOWPS, internal working groups on specific areas of concern, Compliance Boards and regular Cabinet/EMT updates. 27/09/2020 Qtr 2 20/21 Review Summary: - Continued monitoring of HOWPS performance via monthly Contract Management Forum, weekly service area meetings with HOWPS, internal working groups on specific areas of concern, Compliance Boards and regular Cabinet/EMT updates. 12/07/2020 03/05/2020	Cllr Phyl Davies Nigel Brinn	20	20	<ul style="list-style-type: none"> Potential to invoke step in clauses for specific parts of the contract in line with contract Rectification plan(s) to be secured and monitored by PCC when submitted by HOWPS. Additional resources allocated by Kier and PCC. Close monitoring by Directors, Chief executive and Portfolio Holders. Performance monitoring (Contract management forum, weekly meetings etc.) Utilisation of contract document to escalate issues. Development of evidence and fall-back systems (contingency plans). Introduced weekly officer level meetings Development of contingency plans for contract failure Awaiting consultation resource plan. Head of Service on HOWPS Board of Directors. Portfolio Holder on HOWPS Board of Directors. Escalation of risk and concerns to Chief Executive and Strategic Directors. 	Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Control In Place Control In Place Withdrawn Withdrawn Withdrawn Withdrawn

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
			12/01/2020					
			06/10/2019					
			07/07/2019					
			07/04/2019					

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
WO0021 Paul Bradshaw Escalated From :- Powys County Council	Significant long term decrease in the working age population impacts on Council's ability to recruit and retain or commission the workforce it requires	Council is unable to secure the services needed by the local population, including care and assessment provision, education, waste, highways, housing culture and support services.	27/06/2021 1st Qtr 2021/22 Review Summary: The Workforce Futures Strategic Framework is in place and is being implemented. The Council's Transforming Education Programme which sets out a ten year strategy is also being implemented. The Council has established an apprenticeship programme which is being progressed albeit progress has been adversely impacted to a degree by the COVID19 pandemic. In Children's Services a grow your own programme is in place and continues to be implemented for social workers. . In addition we are widening access to the health and care sector in Powys by / through: - the Arwain Employability skills hub project (NPTC delivering employability skills training to a range of groups including staff currently within the health and care system, carers, volunteers and new staff trying to access employment in the sector) - the Kickstart programme (government initiative to provide work experience to 16-24 years through a 6 month fully supported work placement) - Apprenticeships – widening the apprenticeship offer in Social care 5 additional post in this financial year - Access for carers and volunteers to statutory education packages (NHS E-learning) to start a foundation of learning pre-employment - Exploring a health and social care induction framework that provides the foundation skills for Health Care Support Workers coming into the sector (programme aligned to the SCW induction framework and Health clinical induction framework) 04/04/2021 4th Qtr 20/21 Review Summary: The Workforce Futures Strategic Framework is in place and is being implemented. The Council's Transforming Education Programme which sets out a ten year strategy is also being implemented.	Cllr Graham Breeze Alison Bulman	25	16	<ul style="list-style-type: none"> increase use of direct payments and the dynamic purchasing system are intended to secure more creative approaches Telehealth and telecare Improving the skills and employability of young people and adults Developing a health and care workforce for the future Growing our own workforce, including the scoping of a rural academy of learning which would offer social care qualifications t Investigation of the Apprenticeship framework to see what can be offered to younger people to attract them into social care Conduct research to understand the workforce profile in health and social care Formal partnership with the Open University and secondment of students Promoting Powys as a place to live, visit and do business Support communities to be able to do more for themselves and reduce demand on public services Developing digital solutions and services Developing a workforce strategy which ensures Council is an excellent employer Develop an Adults' Service recruitment and retention strategy , based on a strong brand promoting positive values and working/l Improving skills and supporting people to get good quality jobs Improving education attainment of all pupils Consideration of a joint bank of staff available to maintain staffing levels and reduce risk Build better connections with Powys schools & universities within Wales & just across the border in order to attract students 	Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action Completed Action Completed Action Completed Withdrawn Withdrawn Withdrawn

Strategic Risk Register				Portfolio	Inherent Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service		Control or Action	Status
Page 55			<p>The Council has established an apprenticeship programme which is being progressed albeit progress has been adversely impacted by the COVID19 pandemic</p> <p>In Children's Services a grow your own programme is in place and continues to be implemented for social workers.</p> <p>Plans are in place to recruit a further 5 apprentices in Social Care.</p> <p>03/01/2021</p> <hr/> <p>3rd Qtr 2020-2021 Review Summary: The RPB Workforce Futures Strategic Framework is in place and is being implemented.</p> <p>The Council's Transforming Education Programme which sets out a ten year strategy is also being implemented.</p> <p>The Council has established an apprenticeship programme which is being progressed albeit progress has been adversely impacted by the COVID19 pandemic. In Children's Services a grow your own programme is in place and continues to be implemented for social workers.</p> <p>04/10/2020</p> <hr/> <p>2nd Qtr 20/21 Review Summary: On behalf of Ness Young. The RPB Workforce Futures Strategic Framework is in place and is being implemented.</p> <p>The Council's Transforming Education Programme which sets out a ten year strategy is also being implemented.</p> <p>The Council has established an apprenticeship programme which is being progressed albeit progress has been impacted by the COVID19 pandemic</p> <p>In Children's Services a grow your own programme is in place and being expanded in respect of social workers.</p> <p>12/07/2020</p> <hr/> <p>03/05/2020</p> <hr/> <p>19/01/2020</p> <hr/> <p>29/09/2019</p> <hr/>				

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Last Reviews	Director or Head of Service			Control or Action	Status
Page 56			08/09/2019					
			05/05/2019					
			03/02/2019					

Inherent Ratings Summary Heatmap

Residual Ratings Summary Heatmap

Probability



Insignificant

Minor

Moderate

Major

Catastrophic

Impact

Insignificant

Minor

Moderate























Major

Catastrophic

Impact

Detailed Risk Information

Residual and Target Rating Changes since 17/01/2021

Risk Ref	Risk Identified	Owner	Service Area	Prev Inherent	->	Inherent Rating	Prev Residual	->	Residual Rating
ASC0064	WCCIS Unreliability - IF the unreliability of WCCIS is not resolved THEN	Michael Gray	Powys County Council	No Previous		20	No Previous		20
PPPP0007	Heart of Wales Property Services (HOWPS) being unable to undertake contracted work in a timely and cost effective manner.	Nigel Brinn	Powys County Council	12		20	12		20
WO0021	Significant long term decrease in the working age population impacts on Council's ability to recruit and retain or commission the workforce it requires	Paul Bradshaw	Powys County Council	25		25	20		16
PCC0005	The impact to Powys residents, services and Council staff as a result of a COVID-19 (Coronavirus) epidemic	Nigel Brinn	Powys County Council	25		25	20		15
FIN0001	The Council is unable to deliver a financially sustainable budget over the short and medium term. The probability of this risk is heightened due to the impact of the Covid-19 pandemic and its impact on Welsh Government funding and subsequent settlements to the Council.	Jane Thomas	Powys County Council	25		16	15		12
PCC0002	The impact on the Council as a result of Brexit.	Nigel Brinn	Powys County Council	16		16	12		12
ICT0010	Non compliance with data protection legislation (General Data Protection Regulations (GDPR) and UK Data Protection Act (DPA) 2018	Diane Reynolds	Powys County Council	12		12	12		12
CS0009	BUDGET: If Children's Services are unable to manage within budget due to: - Market sufficiency for children's placements - Reliance on agency social workers - Inflationary costs and management of pressures - Surge in demand due to COVID-19 - Ending of grant funding	Jan Coles	Powys County Council	12		12	9		9
ED0022	The council will be unable to manage the schools' budget without ongoing adjustments to the distribution formula and improving financial management. If they are unable to manage the budget, there will be a significant compromise to the quality of education for Powys learners.	Lynette Lovell	Powys County Council	25		12	16		9
ICT0029	Cyber Security Threat. Risk of financial loss, disruption or damage to the reputation of Powys County Council from a failure of its information technology systems and or/loss of Data due to a cyber attack or Incident.	Diane Reynolds	Powys County Council	12		12	9		9
PCC0003	The council receives a negative regulatory / inspection report	Caroline Turner	Powys County Council	20		12	12		9
COVID0058	Post Inspection Action Plan (PIAP) for Estyn - Coronavirus may impact on the ability of the service to maintain the level of progress against the PIAP. In particular Recommendation 1 of the PIAP - 'Improve standards in secondary schools and more able learners' as schools are currently closed. Also, Recommendation 4 (the School Transformation / re-organisation programme) could be affected by the Council's ability to conduct strategy consultations relating to Schools Organisation.	Lynette Lovell	Powys County Council	12		12	9		6
HO0024	Failing to meet all applicable statutory requirements providing for the health and safety of the occupants in Powys County Council Housing Stock.	Nina Davies	Powys County Council	No Previous		12	No Previous		6

Report Selection Criteria

(REP_RECORD_CROSSCUT.Business Unit Code = @StrategicBusinessUnitCode AND (REP_RECORD_CROSSCUT.Status Flag <> "WITHDRAWN")) and REP_RECORD_CROSSCUT.Record Type=1

Inherent Ratings Summary Heatmap

Residual Ratings Summary Heatmap

Probability



Insignificant

Minor

Moderate

Major

Catastrophic

Impact

Insignificant

Minor

Moderate

Major

Catastrophic

Impact

Detailed Risk Information

Residual and Target Rating Changes since 14/01/2021

Risk Ref	Risk Identified	Owner	Service Area	Prev Inherent	->	Inherent Rating	Prev Residual	->	Residual Rating
COVID0093	Recovery - Precarious public service finances, with significant short and medium-term pressures faced particularly by local authorities along with future uncertainty around the UK Government's budgetary response to the economic fallout of COVID 19 and the impact of Brexit.	Jane Thomas	COVID-19	25	→	25	20	↓ -4	16
COVID0044	Adult Services Impact of COVID-19, including: Service User Illness and death; Unpaid Carer Illness; Staff Resource (further and unmanageable reduction through illness and self-isolation); Service provision volatility;	Dylan Owen	COVID-19	25	→	25	15	→	15
COVID0092	Recovery Socio-economic challenges given the immediate economic impact and likely recession, including increased unemployment and take-up of universal credit and other benefits	Nigel Brinn	COVID-19	16	→	16	9	↑ 3	12
COVID0104	If Covid-19 impacts on Children's Services so that: The service cannot deliver mission critical activities Demand cannot be managed Placement availability is reduced Statutory functions cannot be performed Statutory and regulatory requirements cannot be met There is insufficient staff with suitable qualifications and/or experience Services cannot be delivered within budget Savings cannot be delivered	Jan Coles	COVID-19	No Previous		15	No Previous		12
COVID0045	Impact of Covid-19 restrictions and redeployment on the capacity of the Public Protection Service.	Gwilym Davies	COVID-19	12	→	12	12	→	12
COVID0102	HOMELESSNESS: Demand and need for - and duties to provide - homelessness and related services continues to expand	Dafydd Evans	COVID-19	No Previous		16	No Previous		9
COVID0103	Restricted access to homes for repairs, maintenance, servicing and inspections.	Mark Davies	COVID-19	No Previous		16	No Previous		9
COVID0007	Response LEISURE/SPORT Leisure Contractor significantly affected by COVID-19 situation	Jenny Ashton	COVID-19	12	→	12	9	→	9
COVID0017	Response Supply Chain Risk - potential failure of companies who supply goods and services to the Council	Jane Thomas	COVID-19	12	→	12	9	→	9
COVID0100	Disruption to pupils' learning caused by a positive COVID-19 test within a bubble, cohort, school or travelling to school, or by a national closure of school years.	Lynette Lovell	COVID-19	25	↓ -5	20	20	↓ -14	6
COVID0058	Post Inspection Action Plan (PIAP) for Estyn - Coronavirus may impact on the ability of the service to maintain the level of progress against the PIAP. In particular Recommendation 1 of the PIAP - 'Improve standards in secondary schools and more able learners' as schools are currently closed. Also, Recommendation 4 (the School Transformation / re-organisation programme) could be affected by the Council's ability to conduct strategy consultations relating to Schools Organisation.	Lynette Lovell	COVID-19	12	→	12	9	↓ -3	6


Detailed Risk Information

Residual and Target Rating Changes since 14/01/2021

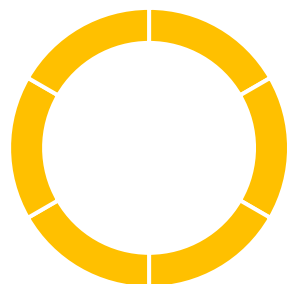
Risk Ref	Risk Identified	Owner	Service Area	Prev Inherent	->	Inherent Rating	Prev Residual	->	Residual Rating
COVID0080	Response/Recovery Inability to continue to provide an effective and efficient Contact Tracing service by PCC / PTHB to prevent the spread of Covid 19	Nigel Brinn	COVID-19	6	➔	12	6	➔	6
COVID0086	Recovery The supply of PPE for public services could be adversely impacted by increased worldwide demand.	Clive Pinney	COVID-19	12	➔	12	9	➔ -3	6
COVID0090	Recovery Workforce health and wellbeing	Paul Bradshaw	COVID-19	12	➔	12	6	➔	6
HO0022	EXTRA CARE - HOUSING - Lack of demand for extra care resulting from COVID-19 (Coronavirus) pandemic	Dafydd Evans	COVID-19	12	➔	12	6	➔	6
COVID0008	Response LEISURE/SPORT As a result of the COVID-19 outbreak, residents and communities become sedentary, participation and activity levels decrease, people's health & well-being deteriorates (physical, mental, social & emotional). Sport & Active Development Team unable to deliver face to face activities, programmes, events, advice (including funding) and schemes	Jenny Ashton	COVID-19	8	➔	8	6	➔	6
COVID0019	Response Exemptions to keep exiting contracts	Vincent Hanly	COVID-19	6	➔	6	6	➔	6
COVID0023	Response Companies liquidating	Vincent Hanly	COVID-19	6	➔	6	6	➔	6
COVID0024	Response Potential Insolvency of participating Pension Fund Employers	Chris Hurst	COVID-19	6	➔	6	6	➔	6
COVID0031	CATERING Significant Loss of Income from school meals.	Jason Rawbone	COVID-19	8	➔ -2	6	8	➔ -2	6
COVID0060	Response Reduced reputation for the council if pandemic is not managed well	Nigel Brinn	COVID-19	9	➔	9	4	➔	4

Detailed Risk Information

Residual and Target Rating Changes since 14/01/2021

Risk Ref	Risk Identified	Owner	Service Area	Prev Inherent	->	Inherent Rating	Prev Residual	->	Residual Rating
COVID0098	<p>Adult Social care</p> <p>Risk of legal challenge from providers on interpretation and implementation of eligibility for access to the Welsh Government Hardship Fund for social care providers.</p> <p>The concern is about the guidance provided on the hardship fund and the recent confusion from receiving slightly different guidance via the ADSS Cymru. PCC has worked closely with care providers to support them and to enable them to access the hardship fund.</p> <p>The original WG guidance set out that the fund could be used to pay for: "...loss of income and double running costs that arise because a care home has experienced a death or deaths as a result of Covid-19". The WG clarification shared a few days later advised that the fund could be used to pay:</p> <p>"...where additional costs, including double commissioning costs, arise because a care home has experienced a death or deaths as a result of Covid-19 thereby creating a vacancy or void. Therefore funding could be used in this instance to cover that void, or to commission a placement elsewhere were it was not possible to do so with that home." We have worked accordingly.</p> <p>The new guidance by the ADSS suggests that the hardship fund can pay for voids in care homes that were not created by COVID-19:</p> <p>"Taking account of your local decision making and discretion in relation to claims, we will remove the bullet on p7 of the guidance which details that the Hardship Fund does not cover "lost income other than where it relates directly from a COVID-19 death". Further clarification sought has not helped understanding.</p> <p>We have already received a further claim from a provider who advise that they have seen the further guidance and wish to claim for a significantly more money.</p> <p>To change the interpretation of the guidance in any way at this point would require that we prepare a new pro -forma for providers to complete and submit; make contact with all service providers in order to request their consideration, amended calculation and submission for the past 4 months; to receive, scrutinise and pay them; and to submit our claim in 3 working days.</p> <p>The chosen option (following a discussion with WG Civil Servants) is to refuse the application received and to not offer the opportunity to other providers.</p>	Dylan Owen	COVID-19	9	 -3	6	9	 -7	2

Baseline Assessment of Six Themed Areas



- Resource and Communication
- Fraud Risk Management
- Policy Related
- Committee Related
- Culture and Awareness
- Reporting, Investigating and Monitoring

Scope and Ambition

This baseline assessment is a corporate view of fraud maturity within the organisation. We recommend a revisit of the assessment in twelve months' time, with a view to an expected increase in the level of maturity. It is vital that management ensure the key findings from this work are considered and that they work with SWAP to reduce risk of fraud and to protect the public purse.

SWAP intends to share the results of this assessment across its wider partnership, to give opportunity for Councils to compare outcomes and where possible, share good practice. This exercise will anonymise the information from each Council.

Key Findings

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There is no agreed Anti-Fraud Strategy or Fraud Response Plan. The programme of counter-fraud work was not provided and there is no evidence that this is agreed and progress is monitored by Audit Committee.



There has been no recent training delivered in relation to anti-fraud and corruption. Fraud training is not mandatory and there is little evidence that anti-fraud awareness is promoted across the Council.



The Council has not yet completed a formal assessment in relation to fraud and corruption risks. Fraud risk is not specifically reviewed by Senior Management and Members.



The Whistleblowing Policy contact details are out of date. The Officer and Member Code of Conduct documents do not specifically include reference to fraud.



The Council has a dedicated and qualified Counter Fraud Team, which works jointly other bodies and provides support in relation to prevention and detection, including reviewing of relevant service specific policies.



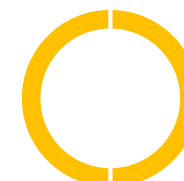
We are informed that allegations and fraud incidents are promptly investigated by the Counter Fraud Team, who have access to relevant information.

Assessments per Area Reviewed

Resource and Communication



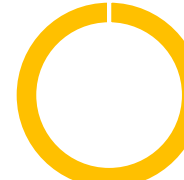
Fraud Risk Management



Policy Related



Committee Related



Culture and Awareness



Reporting, Investigating and Monitoring



- Assessed not to be in place/ operating ineffectively – requires significant improvement.
- Assessed to be partially in place – requires improvement.
- Assessed as in place/ operating effectively.

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Appendix 1 Findings & Outcomes

Theme 1: Resource and Communication		Overall Assessment:
Requirement Assessment:		Findings in Support of the Assessment:
The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.		<p>A range of measures are in place to prevent and detect fraud and corruption, including policies and procedures (see theme 3 below), system controls and proactive and reactive works completed by the Council's Counter Fraud Team.</p> <p>The Powys Counter Fraud Team Senior Investigator informed us that reports on effectiveness of these mechanisms will be routinely taken to Audit Committee when the Council move back to more normal business levels, following the pandemic.</p> <p>The Authority's detection includes the National Fraud Initiative (NFI), a biennial data matching exercise across organisation and systems to help public bodies identify fraud and overpayment.</p>
Requirement Assessment:		Findings in Support of the Assessment:
There is a programme of counter fraud work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts. There is an annual fraud plan which is agreed by Audit Committee and reflects resources mapped to risks and arrangements for reporting outcomes.		<p>The Powys Counter Fraud Team Senior Investigator informed us that there is a plan of counter fraud work which is revisited and reviewed regularly. Assistance is sought on an ongoing basis from Senior Leadership Team to help raise and embed counter fraud culture across the Council and cascading down the reporting lines. This plan was requested, but not provided.</p> <p>We are informed that the plan is not agreed by the Audit Committee and does not make a direct link between resources and fraud risk.</p> <p>The recent Wales Audit Report on 'tackling fraud' identified that the approach to counter-fraud work is uncoordinated". The same report also found that there was a "lack of clarity in terms of roles and responsibilities of staff involved in counter-fraud work".</p>
Requirement Assessment:		Findings in Support of the Assessment:
The organisation has internal audit and external audit planning aligned to fraud risks. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.		<p>Internal audit planning uses a structured risk assessment that specifically includes fraud risk as an assessment factor. The impact of this is that those potential audit areas with increased risk of fraud are a greater priority in the internal audit work programme. This programme used to be agreed annually, but it will be more agile for next year 20/21 at a quarter plus another quarter as reserve.</p> <p>Whilst the Internal Audit plan makes a proper assessment of fraud risks, we are not satisfied that the Council is completing a fraud risk assessment which ensures that the available resources are mapped to fraud risk.</p> <p>The results of this baseline exercise should be used by the Council to align risk more accurately to available resources. The next stage in this is to complete service level risk assessments, which will be discussed with the key contacts at the Authority.</p> <p>The work of External Audit includes 'those charged with governance', which is completed by the Council and has fraud-related category, including questions around the management and governance of fraud. This is used by External Audit to shape their work and any findings are reported via their Audit Committee updates.</p>

Requirement Assessment:	Findings in Support of the Assessment:
The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	<p>The Powys Counter Fraud Team Senior Investigator informed us that the Team engages with joint working with several outside agencies as well as other Councils and various organisations. This includes the Police, the DWP and other Councils and is not limited to Wales.</p> <p>Reports are made to sanctions databases where necessary, such as CIFAS, National Crime Agency and Action Fraud.</p> <p>The Council also participate in the National Fraud Initiative work and this includes elements of joint working across agencies.</p>
Requirement Assessment:	Findings in Support of the Assessment:
The organisation has access to a trained counter fraud resource.	<p>Powys Counter Fraud Team are qualified members of staff, holding the designations Accredited Counter Fraud Officer (ACFO) or Accredited Counter Fraud Specialist (ACFS) and maintaining compulsory profession development.</p> <p>The Council have a Fraud Team in place who offer support and all areas of counter fraud services, including investigation and prosecution; fraud awareness training; fraud audits, health checks and prevention; fraud consultancy and policy.</p> <p>As a partner of the SWAP Internal Audit Partnership, the Council also have access to SWAP's trained Counter Fraud Team, although this is not currently utilised.</p>

Theme 2: Risk Management

Overall Assessment:

Requirement Assessment:	Findings in Support of the Assessment:
<p>The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members. Horizon scanning is completed to look for future fraud and corruption risks.</p>	<p>Internal and external audit meet quarterly to discuss audit issues and fraud is a standard agenda item. The last meeting was in February between SWAP and Audit Wales.</p> <p>A forum has been created where external and internal inspection functions meet with the Council to discuss the key future risks. The last meeting was in February 2021 and the next is scheduled for April 2021. SWAP, Wales Audit, Care Inspectorate Wales and Estyn all contribute to the meeting. Fraud risk was an area that was considered as part of the general discussion.</p> <p>SWAP Internal Audit have not been asked to investigate fraud in the Council. This function is being delivered by the Council's Counter Fraud Team. However, there is a meeting planned to discuss this arrangement and how the two assurance functions can work more closely together. This meeting has been cancelled on previous occasions by the Council due to capacity issues caused by Covid response.</p> <p>In addition, this Baseline Assessment of maturity for fraud and the impending service level fraud risk assessments will provide up to date picture for the Council in relation to fraud risk.</p>
Requirement Assessment:	Findings in Support of the Assessment:
<p>The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.</p>	<p>Fraud does not feature in the Corporate Risk Register; however, service risk registers do reference the risk of fraud in three places: Legal & Democratic services; Pensions, and procurement. Corruption is mentioned in the Digital Services risk register.</p> <p>The registers for services that incorporate inherently higher risk of fraud (revs and bens, payroll) did not acknowledge the risk of fraud and corruption.</p> <p>The lack of integrated planning in relation to fraud risk was also raised by the recent Audit Wales Report on 'Tackling Fraud'.</p> <p>Powys County Council's Risk Management Framework (July 2019) references fraud under financial risks. It does not mention corruption.</p>

Theme 3: Policy Related		Overall Assessment:
Requirement Assessment:		Findings in Support of the Assessment:
There are employee and member Code of Conducts in place, which include reference to fraud.		<p>Officers or Members Code of Conduct does not contain any direct reference to fraud. The documents do set out minimum standards of behaviour for employees and Members which are aligned to the principals of public life, including honesty, integrity, accountability, selflessness and openness.</p> <p>The Officer code suggests that embarrassment to the Council is the consequence of close personal relationships. The documents should be revisited at the next scheduled opportunity and a fraud tone be added.</p>
Requirement Assessment:		Findings in Support of the Assessment:
The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: Codes of conduct including behaviour for counter fraud, anti-bribery, and corruption; Register of interests; Register of gifts and hospitality; and Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked independently.		<p><u>Officer Conflict of interests</u> There is no evidence to support that conflicts of interests are reviewed as part of an annual review. There is no requirement for all officers to complete a declaration even if there is a nil return (as reported by SWAP in August 2020) Follow up (1.4) of this recommendation found that by 1.10.21 all Heads of service will be reminded of the need to keep a register of the declared Conflicts of interest and the need to review those declaration at annual appraisals. Share point Registers to be created for each service which to allow for an annual review.</p> <p><u>Officer Gifts and Hospitality</u> This policy is also part of the Code of Conducts for Employees. The register is not a centrally held, registers are retained in various formats from service area with no standard format in place.</p> <p><u>Member Conflict of Interest</u> The register of Interests for Members is available on the Councils website which is also linked to each Councillor and for each meeting that they attend. At the start of each meeting, it is asked if there are any declarations of interest from the Members to be declared.</p> <p><u>Member Gifts and Hospitality</u> The register of Gifts or Hospitality is also available on the Councils website which is linked to each Councillor and for each meeting that they attend.</p> <p>The following areas are included on the terms of reference for the Standards Committee: review of whistleblowing take up, treatment of personal interests and wider conduct matters. There is, however, no evidence to suggest that declarations of interest and gifts and hospitality have been reviewed recently by Members. The benefit of this would be to identify trends and provide assurance that the processes above are embedded across the authority.</p>
Requirement Assessment:		Findings in Support of the Assessment:
There is an independent and up-to-date whistleblowing policy which is monitored for take up and can show that suspicions have been acted upon without internal pressure.		The Whistleblowing Policy was last reviewed in November 2019 with the next review due October 2021. This is available on the staff facing intranet and external facing internet pages. The Council's HR Department are responsible for reviewing and distributing the policy as and when required. Section 5 of the policy related to anonymous concerns and section 6 relates to how to raise a concern internally. It is noted that some of the contact details on this policy are out of date.

Requirement Assessment:	Findings in Support of the Assessment:
The organisation has an appropriate and approved Anti-Fraud and Corruption Policy available to stakeholders.	<p>The Anti-Fraud and Corruption Policy was located and last reviewed in December 2019. This is currently under review and is being taken to SLT as soon as the work with COVID eases.</p> <p>Within the policy it is clear that the Council will promote a generally awareness of fraud, bribery and corruption to all employees and Members, with specific training provided to officers engaged in the prevention and detection of such activity to ensure that they have the necessary skills to carry out these functions. Officers involved in investigatory work will be provided with relevant specific training that meets their needs and allows for continuous professional development.</p> <p>Internal Scrutiny Arrangements include:- Assurance of the effective operation of internal control arrangements is requested from management annually as part of the Council's arrangements for preparing the Annual Governance Statement. Managers are required to specifically provide assurance on the effective operation of internal control arrangements and staff awareness of this Policy. Managers also have a responsibility to carry out regular risk reviews and to raise concerns if they identify any areas where there is a potential weakness in internal controls.</p>
Requirement Assessment:	Findings in Support of the Assessment:
There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance. There is a zero-tolerance approach.	There is no standalone Fraud Strategy. Some elements of a typical strategy are included within the above Anti-Fraud and Corruption Policy, but there are some key omissions, including: an anti-fraud response plan and the key responsibilities across the Council.
Requirement Assessment:	Findings in Support of the Assessment:
Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.	<p>Contractors and third parties are required to sign the contract which includes that they must adhere to statutory obligations under Corporate Requirements section on Whistleblowing and/or confidential reporting policies.</p> <p>Part of the standard Contract for the supply of services includes section "G3" Prevention of Prohibited Acts, Fraud, Bribery and Corruption. The Procurement service also their understanding and commitment to counter fraud by providing a paper developed by the Local Government Association on Managing Risk Procurement.</p>
Requirement Assessment:	Findings in Support of the Assessment:
The organisation has an appropriate and approved money laundering policy available to stakeholders.	The Council have in place a Money Laundering Policy which is noted to be dated December 2019. This was located through the Council's website under the approval.
Requirement Assessment:	Findings in Support of the Assessment:
Counter fraud staff are consulted to fraudproof new policies, strategies, and initiatives across departments and this is reported upon to committee.	The Powys Counter Fraud Service have been involved and been asked to assist in updating more robust policies in Housing and Social Care for example. The Housing Team confirmed verbally that the previous Social Housing and Tenancy Fraud Policy was written in liaison with the Counter Fraud Team.

Theme 4: Committee Related

Overall Assessment:

Requirement Assessment:	Findings in Support of the Assessment:
<p>Audit Committees and Portfolio Lead roles in relation to fraud management are agreed and understood, including: Awareness and support counter fraud activity (including proactive and reactive) and receive training to support them; Receiving of regular reports on the work of those leading on fraud; Supporting counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.</p>	<p>A copy of the Scrutiny Committee Terms of reference was provided and there is no direct link to fraud, although the intention may be that it is covered under the broader remit of risk. There is also a Portfolio Holder for Finance, but it has not been possible to locate details of their specific responsibilities and whether fraud is covered within this remit.</p> <p>We did locate a previous report taken to Audit Committee in September 2019; however, there is no evidence that more recently, regular reports on fraud activity are taken to Members.</p> <p>There is no structured training plan in relation to fraud for Members.</p>

Theme 5: Culture and Awareness

Overall Assessment:

Requirement Assessment:		Findings in Support of the Assessment:
The organisation educates and trains employees regarding the importance of ethics and anti-fraud programs and senior management exhibit and encourage ethical behaviour.		<p>At the Audit Committee on 11th February 2021, members were of the opinion that Fraud training should be mandatory for all staff, although Counter fraud training is available in Powys but is not mandatory. The outcome of the meeting was that a letter to be sent to the Chief Executive and Leader recommending that fraud training be mandatory for all staff.</p> <p>Fraud Awareness training is available on the eLearning hub, although it is not mandatory for staff to undertake.</p> <p>No training is given to SLT and there is no fraud training plan for officers corporately.</p> <p>Furthermore, the recent Audit Wales Report on 'tackling fraud' found that there was "little evidence to confirm that the zero-tolerance message is actively promoted across the Council on an ongoing basis". The same report stated that "the extent of any counter-fraud training undertaken across the Council has been very limited".</p>
Requirement Assessment:		Findings in Support of the Assessment:
The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the relevant checks.		<p>Employment Services undertake recruitment vetting of all staff. There are appropriate forms in place which are used for collecting recruitment information, including employment history and the candidates right to work in the UK.</p> <p>Fraud risk is not formally considered as part of the vetting and recruitment process.</p>
Requirement Assessment:		Findings in Support of the Assessment:
The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.		<p>What about: policies and procedures that are designed to promote and ensure probity and propriety in the conduct of its business, this includes, but is not restricted to:</p> <ul style="list-style-type: none"> • Financial Procedure Rules. • Contract Procedure Rules. • Code of Conduct for Members. • Code of Conduct for Staff. • Anti-Fraud and Corruption Policy. • Anti-Money Laundering Policy. • Whistleblowing Policy.
Requirement Assessment:		Findings in Support of the Assessment:
The organisation routinely publicises successful cases of proven fraud and corruption to raise awareness and this is endorsed by the communications/ media team.		<p>The Council would always consider cases on their own merit. Two examples were provided from the County Times website from January and December 2020.</p> <p>There has been an awareness within the Council, particularly with those officers who were processing grants that they had to prevent fraudulent applications and with time all Councils will report back to central government to advise how they have combatted fraudulent grant applications.</p>

Requirement Assessment:		Findings in Support of the Assessment:
Relevant staff and members are up to date with latest anti-fraud practice and trends in fraud.		<p>The Powys Counter Fraud Team are qualified members of staff, holding the designations Accredited Counter Fraud Officer (ACFO) or Accredited Counter Fraud Specialist (ACFS) and maintaining compulsory profession development. The Team all take regularly in any training (refresher or new) that comes up with the Council (this is sometimes via Legal Services, Trading Standards etc) and join training sessions on a reciprocal basis, these have CPD points usually.</p> <p>The Powys Counter Fraud Team Senior Investigator has also founded and manage the Wales Fraud Officer group and organises a number of training events to include officers from outside the Powys region.</p> <p>SWAP send out frequent fraud alerts and two-weekly newsletters, which include fraud reference.</p> <p>Whilst not currently utilised, SWAP has four Certified Fraud Examiners, who stay up to date with latest practice and trends through continued professional development, should they be required by the Council.</p>

Theme 6: Reporting, Investigating and Monitoring

Overall Assessment:

Requirement Assessment:		Findings in Support of the Assessment:
Statistics are kept and reported which cover all areas of activity and outcomes. The number of investigations and outcomes are recorded.		No evidence of this has been provided to us to support the recording of statistics, including outcomes. As previously reported, there is a lack of evidence to support information being provided to Audit Committee.
Requirement Assessment:		Findings in Support of the Assessment:
There is a fraud and corruption response plan which covers all areas of counter fraud work: – prevention – detection – investigation – sanctions – redress.		At the Audit Committee in December 2020, the Head of Finance stated that a formal response to the action plan in the recent Audit Wales Report titled 'raising our game; tackling fraud in Wales' should be produced. This has been delayed due to ongoing work on roll out of business grants as part of the pandemic response. One of the findings within this report stated: "The Council did not have an appropriate fraud response plan in place".
Requirement Assessment:		Findings in Support of the Assessment:
The organisation provides an anonymous way to report suspected violations of the ethics and anti-fraud programs.		<p>The Council has an appropriate method to report fraud online, although there is nothing on this page to state it is anonymous if you report fraud. There is no direct phone line for reporting fraud. It was stated by the Counter Fraud Team member that on occasions where someone has rung through to the Council, Customer Services have either put through direct to speak with one of the team or have been given a direct phone number of one of the team who works from home.</p> <p>Internal reports can be completed online or directly to the Counter Fraud Team who would treat them anonymously.</p> <p>SWAP has a dedicated confidential helpline for the Counter Fraud Team of which the details should be considered to include within the appropriate Council policies.</p>
Requirement Assessment:		Findings in Support of the Assessment:
All allegations of fraud and corruption are risk assessed.		<p>The Powys Counter Fraud Team do not risk assess allegations in the traditional sense, but they look at everything. In their experience risk assessments were not that helpful because they were continually having to be tweaked for sufficient cases to reach the investigation threshold.</p> <p>Where information is sparse the team will do whatever they can to try and get more detailed information about the alleged offence. If the allegation is not anonymous and the reporter has left their details, they will go back to the reporter to try and get more information. Powys Counter Fraud Service have unfettered access to information.</p>
Requirement Assessment:		Findings in Support of the Assessment:
Prevention measures and projects are undertaken using data analytics where possible and sharing of data across internal departments and between other enforcement agencies.		<p>The Council participate in the NFI which is a data matching exercise to assist in the prevention and detection of fraud. Work includes suspected council tax reductions and single person discount fraud, blue badge, social care payments, housing/tenancy, right to buy, business rates, grants.</p> <p>Proactive data matching exercises are undertaken on a planned basis. The Counter Fraud Team also joint work with DWP on cases where there is an interest for the Council.</p> <p>SWAP is performing audit work, using data analytics and share this internally and externally where necessary/ beneficial.</p>

		Finally, there are benefits to the Council using the Cifas service for data matching which should be further explored.
Requirement Assessment:		Findings in Support of the Assessment:
Fraud incidents are promptly and thoroughly investigated by a designated and qualified resource, with unfettered access to premises and documents for the purposes of counter fraud investigation.		All referrals received by the Powys Counter Fraud Team are recorded on a bespoke case management system and are thoroughly evaluated for any further appropriate action by qualified and accredited staff members. The Team have access to the relevant systems in-house and can obtain additional information where necessary.

Appendix 2

Action Plan

Now as a priority

- Present this report to key stakeholders and assign responsibility for management of actions.
- Complete risk assessment process in liaison with SWAP and assign responsibility for ongoing management of the process.
- Make anti-fraud and corruption training mandatory for all staff.
- Confirm that a Portfolio Holder Member is responsible for counter-fraud.
- Create and publicise a direct anti-fraud phonenumber to stakeholders.

Immediate Future

- Present the programme of fraud work to the Audit Committee and agree a mechanism for ongoing monitoring of counter-fraud activity and outcomes.
- Create and approve a training plan for Council Officers and Members in relation to anti-fraud and corruption and agree on awareness protocol.
- Align counter-fraud resources to the results of the risk assessments and establish responsibility for assurance between SWAP and the Powys Counter Fraud Team.

Shorter-term

- Consider creating an anti-fraud strategy and fraud response plan or adding to the existing policy.
- Incorporate fraud and corruption risks into corporate risk management process.
- Review Whistleblowing Policy and ensure it has the correct contact details and is then made available to key stakeholders as appropriate.

Medium-term

- Update staff and Member codes of conduct to include direct fraud reference.
- Implement a process for vetting candidates in respect of fraud and financial fraud risk.
- Report to Members on declarations of interest and gifts and hospitality.

Longer-term

- Re-perform baseline assessment for fraud maturity.
- Ensure relevant strategies and policies are subject to required ongoing scrutiny and review.



ROADMAP OF ACTIONS

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Cross-Partner Report

Baseline Assessment of maturity in relation to Fraud

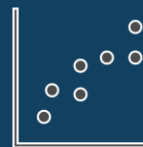
April 2021



THIS REPORT
SUMMARISES
ASSESSMENTS
COMPLETED AT

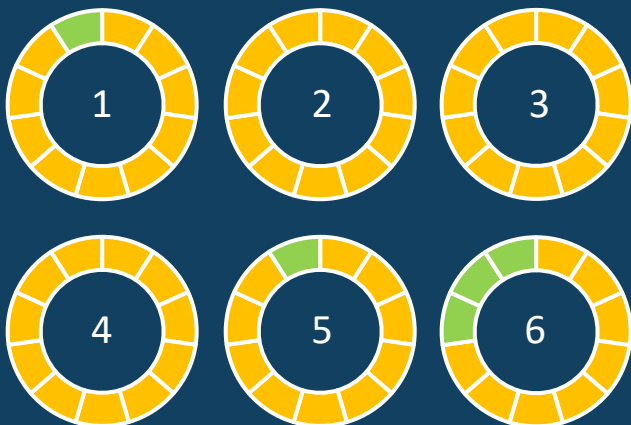


11 COUNCILS
across
7 COUNTIES



IN RELATION
TO COUNTER
FRAUD
MATURITY

Each Council overall assessment per theme:



- 1: Resource and Coordination
- 2: Risk Management
- 3: Policy related
- 4: Committee roles
- 5: Culture and Awareness
- 6: Reporting, Investigation and Monitoring

The common findings identified:



RISK ASSESSMENTS have not been completed to inform planning and fraud and corruption are not considered in the corporate risk management process.



AUDIT COMMITTEE AND PORTFOLIO ROLES do not refer to any responsibilities in respect of fraud.



COUNTER-FRAUD ACTIVITY AND OUTCOMES are not recorded and reported to Members and senior management.

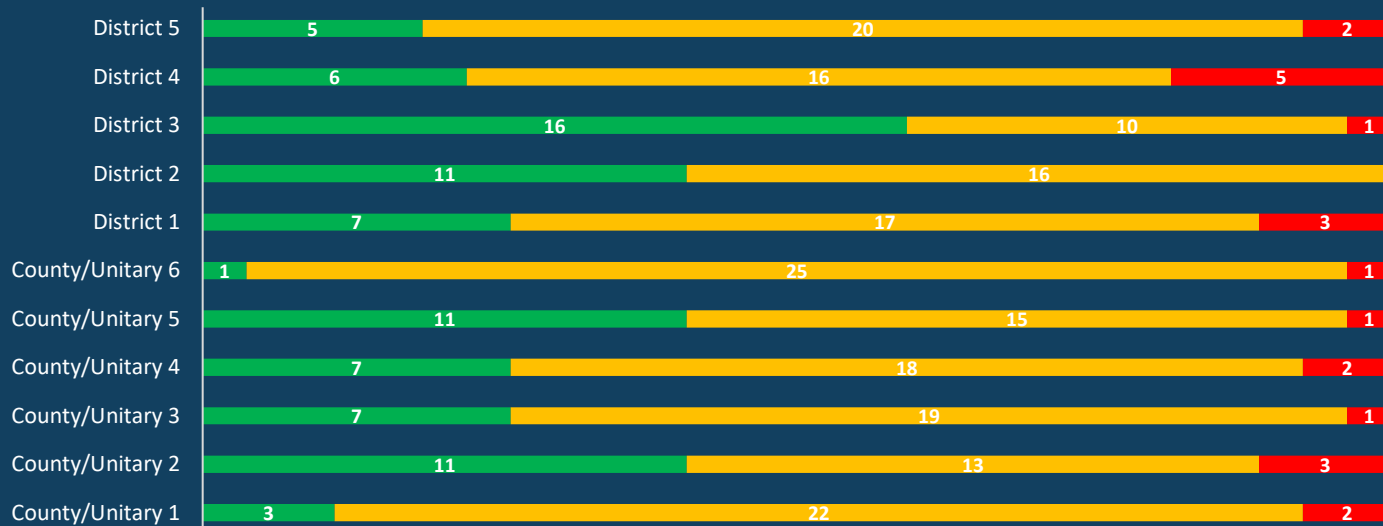


There is no PROGRAMME OF TRAINING for staff and members in relation to ethics and anti-fraud.



There is no LIVE COUNTER-FRAUD PLAN which aligns fraud risks to available and coordinated resources.

Total number of requirement assessment conclusions per Authority:



Assessed not to be in place/ operating ineffectively – requires significant improvement.

Assessed to be partially in place – requires improvement.

Assessed as in place/ operating effectively.

Foreword



“Fraud has not disappeared: it is ever present, evolving and affects the funding that is needed for frontline services. In many public sector bodies, it is still an area where there is significant underinvestment, because they are not recognising the extent of the epidemic and seeing other priorities, particularly around service delivery, as more important. As fraudsters evolve, we must too. To these ends, through collaboration and intelligence sharing with a fraud prevention specialist service, we are ensuring that cases of fraud are not replicated across our partnership, mitigating controls are put in place and offenders are dealt with appropriately. Through our proactive intelligence-led approach we are taking steps to ensure the public purse is protected from all fraudulent activity.”

As CEO of SWAP, I am pleased to see reports of this nature, which provide shared and prolonged benefit to several of our partners.

Following the approval of SWAP’s Business Plan in November 2019, a fraud and investigations portfolio was created. We saw this as a real opportunity to provide a valuable difference to our Partners, many of which have little or no counter fraud resource available to them.

Our Counter Fraud and Investigations Team have been tasked with providing a proactive counter fraud service for our Partners, to compliment the historical reactive work offering.

This piece of work assesses each Partner against a reputable framework, the Fighting Fraud and Corruption Locally Strategy 2020 and gives partners a corporate view of maturity in relation to fraud risk.

The results of the assessments will be used together with more detailed service level risk assessments to underpin our proactive counter fraud work for 2021-22 and beyond.

I wanted to also take this opportunity to promote the work of the Counter Fraud Team, which now gives our Partners direct access to a dedicated, trained, and professional counter fraud and investigation resource.

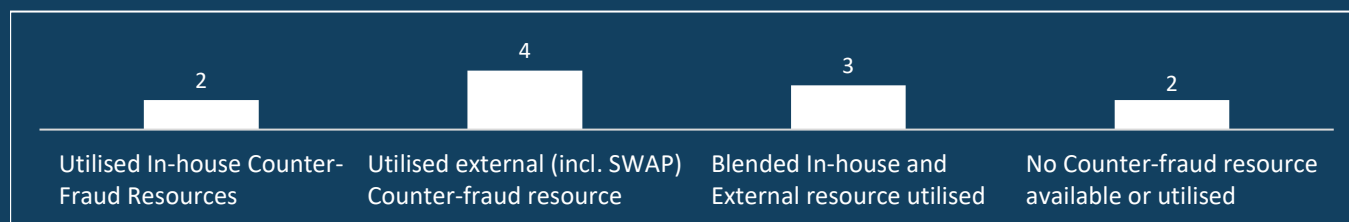
David Hill

CEO of SWAP Internal Audit Services



Key Findings: Resource and Communication

Despite a predominantly amber picture across this theme, there are differing approaches to resource and communication across the SWAP partnership. Some Councils have a designated and funded counter-fraud resource, including in-house and outsourced provisions, some have no counter fraud resource whatsoever. It is understood that many Councils have shuffled their resources in response to the pandemic, so the following graphic details the resource position across the eleven partners under their 'normal' operating ability:



Typically, **Councils are not aligning their fraud risks to available resources** and there is **a lack of reporting on detection and prevention measures to key stakeholders**.

Partners can increase their maturity in this area by establishing what resource is available to them within the authority and via SWAP, as part of their internal audit services provision. This will allow Councils to properly develop and approve a fraud plan which focuses on delivery within the available resource. Proactive fraud work should also be considered as part of this planning, with a focus on the prevention of fraud.

We would urge Councils to **revisit this area during the ongoing pandemic**, when resources across the authorities are more thinly spread to allow for a prioritised response to the crisis. There is direct fraud risk exposure linked to the re-deployment of staff and the extra pressure they are under, which is often enhanced by internal controls being misunderstood, suspended or relaxed. The ongoing pandemic increases the opportunity and rationalisation for fraudulent activity for many.



The examples of good practice in this theme, mostly came from authorities that had a dedicated counter-fraud resource. These authorities had a choice of counter-fraud experts which enabled them to select the best option for each investigation.



We also highlighted at these authorities that the scope and capacity of the counter-fraud resource is understood and agreed and that there is a blend of reactive and proactive activity that is reported to key stakeholders. Furthermore, these counter-fraud resources are actively working work with colleagues across the sector and with enforcement agencies to reduce the risk and impact of fraud and corruption.

"Local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses."

Fighting Fraud and Corruption Locally Strategy 2020

"Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant."

Fighting Fraud and Corruption Locally Strategy 2020

Key Findings: Risk Management



An amber wheel indicates that every authority included within the exercise was assessed similarly. We have found that most **Councils have not performed a full assessment of fraud risks** and this links into the resources section above on page 4. For many Partners there is an acknowledgement that fraud risks are assessed as part of Internal and External audits and that there is some overlap with legislative and local requirements in this area.

A scan of the corporate risk registers across the SWAP Partners revealed that **less than a quarter of registers included any reference to fraud or corruption risks**.

Furthermore, the **corporate risk management guidance documents across the Councils were lacking any reference to fraud and corruption**.

Generally, **fraud and corruption risks are not considered** as part of service/ directorate level risk assessments.



What next?

Following on from this work, SWAP is facilitating the completion of a fraud risk assessment. Where Partners have an in-house Counter Fraud provision, we recommend that they lead on this work.

It is essential that the risk assessment is kept live, the process is owned by the Council and risks are reported to stakeholders.

The fraud risk assessment document will form the backbone of resource allocation for counter-fraud activity, including internal audit planning and assurance mapping.

At this stage Councils should be thinking about the resource internally to own and manage the fraud risk assessment. The SWAP Counter Fraud and in-house Counter Fraud Teams are on hand to facilitate this and should be actively involved in the process as a 'critical friend' and in relation to the changing risk landscape.



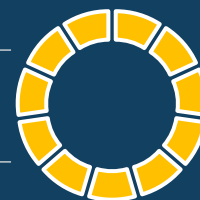
One Authority had fraud and corruption risk directly referenced in their corporate Risk Management Policy and had considered fraud risk as part of their strategic risk register, which was reviewed regularly by Members and senior management.

"Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users."

Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA)

"To avoid the risk that responsibility falls between managers, the organisation should have a clear fraud risk champion, who is known to all employees."

Public Sector Fraud – Identifying the risk areas (Deloitte)



Key Findings: Policy Related

Councils generally have approved policies in place in relation to anti-fraud, whistleblowing, codes of conduct and registering interests. Many of those reviewed though, lack a fraud and corruption thread, had **fallen out of date** with for example, changes to key personnel and/ or were not available to stakeholders as required.

One area to pick out from this theme was the **lack of evidence to support that contractors and third parties are required to sign up to the Councils Whistleblowing Policy**. This is something that promotes good governance and a recent report from the Association for Certified Fraud Examiners (www.acfe.com/report-to-the-nations/2020) found that around a third of occupational fraud tips came from customers and vendors combined.

Most staff and Member code of conducts did reference the behaviours expected in order not to commit fraud; however, these **did not typically give explicit reference to fraud, anti-bribery and corruption**.

We found a variety of approaches to anti-fraud policy and strategy, some had incorporated both into the same document, some had standalone documents. To assist with this area, we have noted the following components for inclusion in an effective policy and strategy:

- Actions that are deemed to be fraudulent, including definition.
- Allocation of responsibilities for the overall management of fraud.
- A statement that all appropriate measures to deter fraud will be taken.
- The Council has a zero-tolerance to fraud.
- The formal procedures which employees should follow if a fraud is suspected and a Fraud Response Plan.
- Notification that all instances of suspected fraud will be investigated and reported to the appropriate authorities.
- A statement that fraudsters will be prosecuted and that the Police will be assisting in investigations as required.
- A statement that all efforts will be made to recover wrongfully obtained assets from fraudsters.
- Encouragement to employees to report any suspicion of fraud.
- Explicit links to other key policies, including whistleblowing and code of conducts.
- Prosecution, Sanctions and Redress Protocol.
- How success will be measured, how the strategy will be delivered and the timescales and responsibility for this.
- How and what training will be provided to key stakeholders.
- The steps to be taken in the event a fraud is discovered and who is responsible for taking any action.
- Consistent with the Fighting Fraud & Corruption Locally 2020 Strategy: Govern, Acknowledge, Prevent, Pursue, Protect.



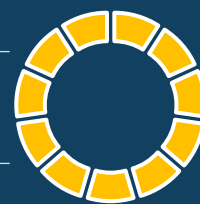
One Authority presents regular reports to their Audit Committee to demonstrate how well the policies around the code of conduct, for example declaration of personal interests, are being adhered to. This allows Members to monitor the take up of policies and spot any declining trends.



Some authorities had bought in Counter-Fraud resource to proof-read key policies and this was replicated at service level, in relation to areas where fraud presents an inherently high risk.

"The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud."

Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA)



Key Findings: Committee Roles

Councils typically have **no assigned Member representative for fraud** and there is **a lack of counter-fraud activity reported to Audit Committees**, or equivalent. This means that Councils are unable to demonstrate appropriate oversight, awareness and support for counter-fraud activity.

We have found at several Councils that Committee responsibilities state that the Audit Committee should take an “active role in the prevention and deterrence of fraud”, and that anti-fraud policies and strategies are taken to Members for approval. However, **little or no ongoing information is reported to Members** and therefore the effectiveness their role in relation to prevention and deterrence cannot be substantiated.

SWAP has an important role to play here and this is recognised by recommendation at every Council that the results of the Baseline Assessment be taken to the Audit Committee. Committees need to ensure that the responsibility for managing the actions from the baseline assessment is assigned.

This should be the start of an ongoing relationship between Members and Counter-Fraud related activity.

We also found that there is a real **lack of regular training for Members**, meaning they are less effective in challenging counter-fraud activity. We would recommend that Councils look at specialist Member training and awareness sessions. A standard level of training should be applied to all Members, with more specific in-depth training given to those Members with agreed responsibility for counter-fraud.



Some examples were found where counter-fraud activity is shared with Members, including proactive and reactive works. Other examples were found in relation to Audit Committees having recorded responsibility in relation to oversight of counter fraud activity.

“Councillors should have and maintain an understanding of fraud risks and consider fraud in relation to the decision making process.”

A Councillor's Workbook on Bribery and Fraud Prevention (LGA)



Key Findings: Culture and Awareness

This area has found that there is a **lack of training provided to employees** and that where some level of training is provided, this does not link to any assessment of risk. Again, we would urge Councils to **make this a priority** due to the direct fraud risk exposure linked to the re-deployment of staff and the increased opportunity and rationalisation for fraudulent activity. There are things that Councils can do to compliment effective training, such as sharing of relevant awareness materials and case studies where fraud or corruption has occurred.

We also found that there is generally a **real reluctance to publicise successful outcomes relating to cases of fraudulent activity** at Councils, even where there is a statement in the Council's policy which states this will happen. Publishing successful outcomes is a proven deterrent for fraud and corruption and helps to enforce a strong tone throughout the organisation.

Some Councils had **no vetting process** in respect of fraud risk for new employees. This is mightily important as the insider threat continues to be prevalent in the workplace. Councils should take a risk-based approach to this and consider here the use of specific vetting services and include the vetting of existing employees.



Some Councils were publishing internal fraud alerts to staff and one Council has been sharing its fraud alerts externally via social media. This helps in promoting good culture and awareness to stakeholders and acts as a deterrent for committing fraud.



There is a general feeling that Council staff are becoming more aware of fraud risk, as a result of the pandemic and the administering of Covid grants. We have seen examples of fraud risk training being provided to staff who are responsible for processing and checking of grant claims.



Several authorities were able to demonstrate that key staff were kept up to date with fraud trends via professional bodies, newsletters and networking groups.

"The foundation to anyone countering the threat and risk of fraud, in any context, is the development of a strong counter fraud culture."

A Guide to Managing Fraud for Public Bodies (International Public Sector Fraud Forum)

"Publicise your success, sharing the outcome of a successful investigation or how an anti-fraud measure has worked is a positive way to advertise the message that fraud doesn't pay."

A councillor's workbook on bribery and fraud prevention (local.gov.uk)



Key Findings: Reporting, Investigating, Monitoring

The most common findings in relation to this theme were that Councils had **no mechanism for recording or reporting on fraudulent activity**. Statistics should be maintained which will allow appropriate scrutiny and monitoring by senior management and Members. We are referring here to the work completed outside of the National Fraud Initiative programme, which by its nature captures and records positive matches for Councils to investigate.

Many Councils had **no process for risk assessing allegations** of fraud and corruption and were typically looking at 'everything' or 'nothing'. This area overlaps with theme 1 on resources and theme 2 on risk management. Councils need a process for risk assessing allegations to ensure they are targeting resource to the correct places in line with a risk approach.

Councils mostly had **response plans in place for fraud and corruption**, although it was commonly identified that some had **no reference to sanctions and redress**.

Data analytics is one area that Councils can use to their advantage in the fight against fraud. There is **little evidence that data analytics is being widely used** across our Partners in this manner, although some have recently joined Cifas and are awaiting the benefits of this. Others **have used data sporadically to review specific areas**, for example discount award and in relation to Covid grants.



There were some good examples of Councils with dedicated whistleblowing lines, with optional anonymisation. These were linked into key policies and available to stakeholders internally and externally.



Some Councils had developed proactive data analytical reviews and were making use of national and internal databases to assist in the prevention and detection of fraud, such as Cifas.



Some excellent Fraud Response Plans were provided during this review, which had been approved by senior management and Members. These included prevention, detection, investigation, sanctions and redress.



Where authorities have utilised their designated resource, fraud incidents were investigated promptly with unfettered access to documentation.



Did you know that SWAP has a confidential reporting hotline?

Call 020 8142 8462 or email confidential@swapaudit.co.uk

Ambition and Journey

The objective for us and all our Partners should be to reduce the risk of fraud and corruption and to protect the public purse. We appreciate that each Partner has differing available resources and a differing risk appetite. We also have Partners with their own in-house dedicated Counter Fraud Team. We understand our Partners and aim to provide support to them in line with these factors.

Each Partner included in this report has recently received an individual report for their organisation, including an appendix of findings against the 27 requirements and a roadmap of actions to improve the assessment.

Please do not hesitate to contact us, should you require more information about any of the areas in the report, or if you feel you would benefit from further discussion or indeed a deeper dive into some of the areas covered above.

We intend to revisit the baseline assessments in twelve months' time and would expect to see an improving picture of maturity across the Partnership. Our role is to support our partners on the journey to improvement.

Following the baseline assessment, our Counter Fraud and Investigations Team are facilitating the completion of service-level risk assessments, against areas known to carry significant inherent risk of fraud. This will provide each partner with a live view of fraud risk and in conjunction with the baseline assessment, enabling resources to be better aligned to prevent and detect fraud.

The SWAP Counter Fraud and Investigations Team will also be producing annual reports for relevant Partners in relation to counter fraud activity from 2021-22 onwards. This will include progress on fraud risk maturity and any proactive and reactive works undertaken during the period.

To gain maximum benefit from our Counter Fraud services, it is essential that these reports are taken to the 'top table' for consideration and that a strong tone is set by senior management and Members at each organisation.

We look forward to your continued support in the future.

SWAP Counter Fraud and Investigations Team



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Appendix 1: The Twenty-Seven Assessment Requirements

Resource and Communication

- The organisation has internal audit and external audit planning aligned to fraud risks. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- The organisation has access to a trained counter fraud resource.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- There is a programme of counter fraud work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts. There is an annual fraud plan which is agreed by Audit Committee and reflects resources mapped to risks and arrangements for reporting outcomes.
- The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.

Culture and Awareness

- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The organisation educates and trains employees regarding the importance of ethics and anti-fraud programs and senior management exhibit and encourage ethical behaviour.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the relevant checks.
- The organisation routinely publicises successful cases of proven fraud and corruption to raise awareness and this is endorsed by the communications/ media team.
- Relevant staff and members are up to date with latest anti-fraud practice and trends in fraud.

Reporting, Investigating and Monitoring

- Fraud incidents are promptly and thoroughly investigated by a designated and qualified resource, with unfettered access to premises and documents for the purposes of counter fraud investigation.
- All allegations of fraud and corruption are risk assessed.
- Prevention measures and projects are undertaken using data analytics where possible and sharing of data across internal departments and between other enforcement agencies.
- The organisation provides an anonymous way to report suspected violations of the ethics and anti-fraud programmes.
- Statistics are kept and reported which cover all areas of activity and outcomes. The number of investigations and outcomes are recorded.
- There is a fraud and corruption response plan which covers all areas of counter fraud work: – prevention – detection – investigation – sanctions – redress.

Fraud Risk Management

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members. Horizon scanning is completed to look for future fraud and corruption risks.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.

Committee Related

- The Audit Committees and Portfolio Lead roles in relation to fraud management are agreed and understood, including:
 - awareness and support counter fraud activity (including proactive and reactive) and receive training to support them
 - receiving of regular reports on the work of those leading on fraud
 - supporting counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.

Policy Related

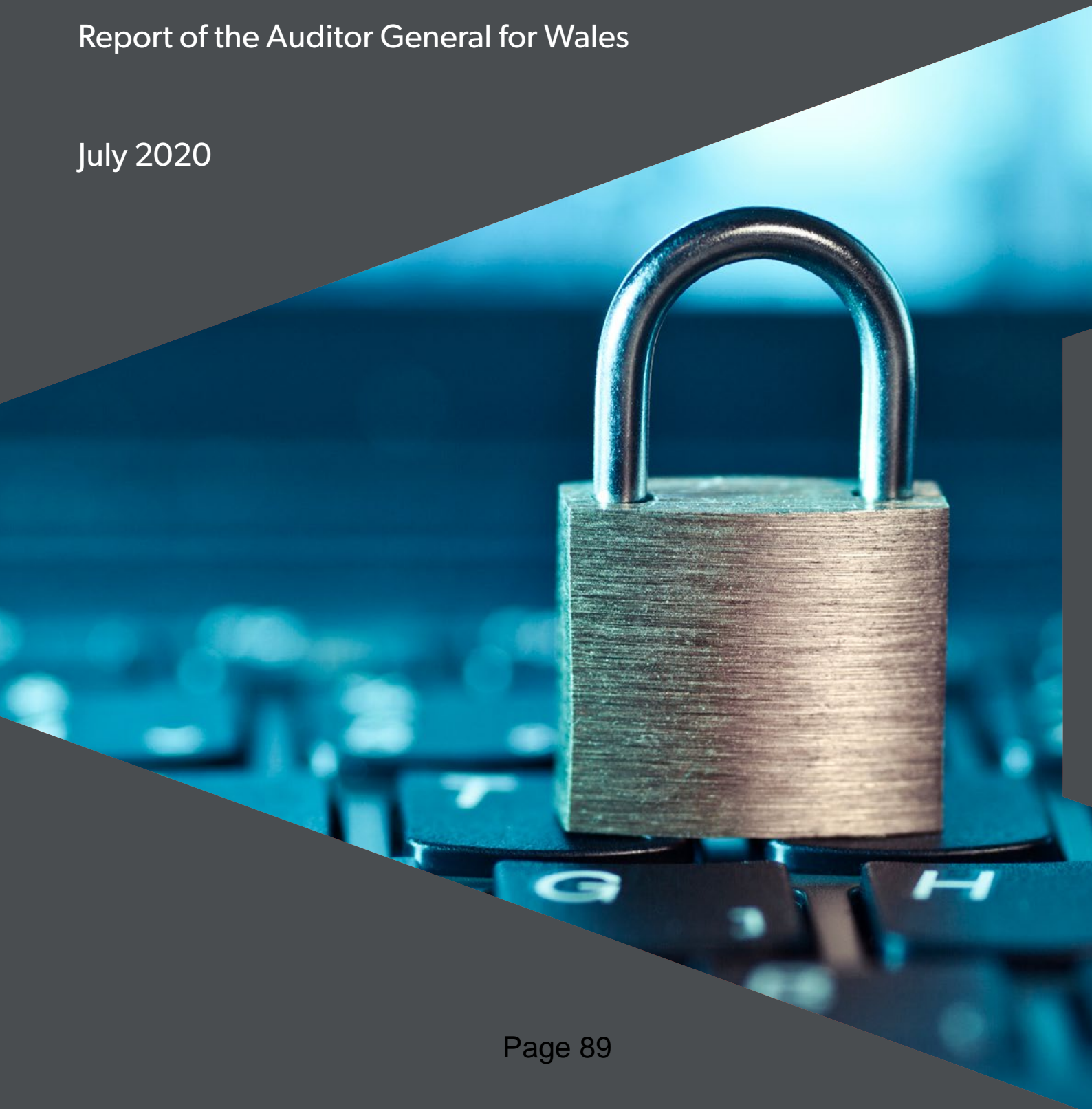
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
 - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
 - register of interests
 - register of gifts and hospitality.Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked independently.
- There are employee and member Code of Conducts in place, which include reference to fraud.
- The organisation has an appropriate and approved Anti-Fraud and Corruption Policy available to stakeholders.
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance. Is there a zero-tolerance approach to fraud?
- The organisation has an appropriate and approved money laundering policy available to stakeholders.
- There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
- Counter fraud staff are consulted to fraudproof new policies, strategies and initiatives across departments and this is reported upon to committee.

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'Raising Our Game' Tackling Fraud in Wales

Report of the Auditor General for Wales

July 2020



This report has been prepared for presentation to the Senedd under the Government of Wales Acts 1998 and 2006 and the Public Audit (Wales) Act 2004.

The Audit Wales study team comprised Rachel Davies, Christine Nash and Ian Hughes, under the direction of Mike Usher.

The Auditor General is independent of the Senedd and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the Senedd on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Foreword by the Auditor General

- 1 In June 2019, I published a report giving an overview of the scale of fraud in the Welsh public sector, together with a description of counter-fraud arrangements across the Welsh Government, the NHS and Local Government. I noted that the sums lost annually in Wales to fraud and error are significant – and could be anywhere between £100 million and £1 billion. The Crime Survey for England and Wales recognises fraud as being one of the most prevalent crimes in society today.
- 2 However, some senior public sector leaders are sceptical about the levels of fraud within their organisations. As a result, they are reluctant to invest in counter-fraud arrangements and assign a low priority to investigating cases of potential fraud identified to them by the National Fraud Initiative, even though there are many examples of a good return on investment in this area. Their stance runs contrary to all the research being done by recognised leaders in the field such as CIPFA and the UK Government's Counter Fraud Function. This latest report, which examines the effectiveness of counter-fraud arrangements at over 40 public-sector bodies in Wales, has found that where such scepticism arises, it is not based on any significant local counter-fraud work or robust fraud risk assessments.
- 3 But we also know that fraudsters appear the very instant that an opportunity presents itself. Fifteen individuals have to date been jailed for fraud in the light of the Grenfell fire tragedy. Fraudsters and scammers were quickly on the scene earlier this year whilst the flooding in South Wales was ruining the homes and lives of local people. There has been an explosion in fraudulent activity, and especially in cyber crime, during the current COVID-19 pandemic. I welcome the proactive steps which the Welsh Government has taken to raise awareness across the public sector in Wales about this risk.

- 4 Public sector bodies can mitigate these risks by having the right organisational culture supported by strong counter-fraud arrangements. Many local authorities have invested so little in counter-fraud arrangements that they have only a few of the key components in place. Whilst the position is generally much more robust across the NHS in Wales, there is still a challenging agenda to make counter-fraud fit for the next decade where globalisation and the advent of digital technology have created new risks, and opportunities, for the fraudsters.
- 5 I was heartened to see the Welsh Government's positive response to my 2019 report and, following the one-day conference organised by the Public Accounts Committee in July 2019, the Permanent Secretary's commitment (see **Appendix 2**) to provide Wales-wide leadership in raising the profile of counter-fraud activity.
- 6 In this latest report, based on a more extensive programme of field work, we identify a significant range of further opportunities to improve on the current national position, including:
 - a strengthening strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;
 - b increasing counter-fraud capacity and capabilities, especially across local government, and exploring the potential for sharing resources and expertise across public bodies;
 - c getting the right balance between proactive and reactive counter-fraud activities;
 - d improving awareness-raising and staff training in counter-fraud; and
 - e better evaluation of fraud risks and sharing of fraud information, both within and across sectors.
- 7 There is also significant potential for Wales to take advantage, where appropriate, of many of the counter-fraud initiatives underway across the wider UK public sector. These include the recent establishment of a recognised government counter-fraud profession, with defined competencies and career paths, and the increasing focus on tackling fraud by smarter use of data analytics.

- 8 As I publish this report, Wales continues to grapple with the effects of the COVID-19 pandemic. This report contains a timely illustration of some of the ways in which fraudsters have moved rapidly in recent months to exploit the pandemic for criminal gain. I have already taken steps to extend the scope of our National Fraud Initiative (NFI) to enable local authorities in Wales to undertake eligibility checks on applications for COVID-19 support grants. I am also proposing to mandate that all local authorities, together with the Welsh Government, should submit COVID-19 grant and payment data to the NFI, to help identify fraudulent applications.



Adrian Crompton

Auditor General for Wales



Summary and recommendations

Ensuring that the arrangements for preventing and detecting fraud in the Welsh public sector are effective

This report examines seven '**key themes**' that all public bodies need to focus on in raising their game to tackle fraud more effectively:

- leadership and culture;
- risk management and control frameworks;
- policies and training;
- capacity and expertise;
- tools and data;
- collaboration; and
- reporting and scrutiny.

For each theme in turn, the report examines:

- why it is important;
- what our audit fieldwork identified in terms of current working practices and their effectiveness across the 40 Welsh public sector bodies that we examined (listed in **Appendix 1**); and
- what needs to happen next to generate improvement.

Our **recommendations for improvement** which are addressed to all public bodies in Wales within the Auditor General's remit, are as follows:

Theme

What needs to happen next?

Leadership and Culture



- R1** The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a coordinating role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities.
- R2** All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.

Risk management and Control framework



- R3** All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.
- R4** Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.

Policies and Training



- R5** All public bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks.
- R6** Staff working across the Welsh public sector should receive fraud awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud.
- R7** Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.

Theme

Capacity and Expertise



What needs to happen next?

- R8** All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.
- R9** All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.
- R10** All public bodies should consider models adopted elsewhere in the UK relating to the pooling /sharing of resources in order to maximise the availability of appropriately skilled staff.

Tools and Data



- R11** All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforces the tone from the top that the organisation does not tolerate fraud.
- R12** All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.

Collaboration

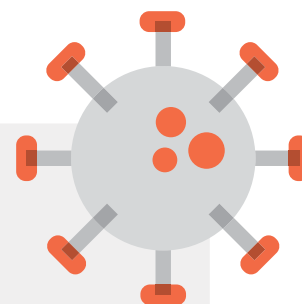


- R13** Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.

Reporting and Scrutiny



- R14** Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.
- R15** Audit committees must become fully engaged with counter-fraud, providing support and direction, monitoring and holding officials to account.



The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

We know from experience that fraudsters appear the very instant that an opportunity presents itself. Fifteen individuals have to date been jailed for fraud in the light of the Grenfell fire tragedy. Fraudsters and scammers were quickly on the scene earlier this year whilst the flooding in South Wales was ruining the homes and lives of local people.

Predictably, there has been an explosion in fraudulent activity, and especially in cyber crime, during the current COVID-19 pandemic.

The first reported positive cases of COVID-19 were reported in the UK on 31 January 2020. By this time the fraudsters and scammers had mobilised and were already hard at work.

The first fraud report relating to COVID-19 was received on February 9 by Action Fraud, the UK's fraud reporting centre. Since that time, the number of reports has increased significantly across the UK – the media reporting an unprecedented number of scams linked to the virus.

We have seen examples of good practice by some public bodies and organisations in Wales in identifying the fraud risks and sharing them with other bodies and citizens. The Welsh Government is liaising with the UK Cabinet Office and is sharing its guidance and learning on counter-fraud with the rest of the public service in Wales, including Local Authority Counter Fraud leads. Welsh Government officials have agreed to maintain and develop this group post-COVID. The intelligence obtained from these meetings has also assisted the Head of Counter Fraud with fraud intelligence sharing with Cabinet Office and the three other devolved administration fraud leads.

But has the Welsh public sector response been more reactive than proactive? What can we do better? Whilst globalisation has benefited the fraudsters it can also be to the advantage of counter-fraud specialists; we had early notice of scams from thousands of miles away a few weeks before the first case of COVID-19 was identified in the UK.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

We believe that the COVID-19 pandemic provides an important opportunity for the Welsh counter-fraud community to come together (by appropriate means) and reflect on the speed and effectiveness of its response to the scammers and fraudsters.

The key issues and recommendations set out in this report could help set an agenda or framework for such an event. There has never been a timelier opportunity for Welsh public sector leaders and counter-fraud specialists to consider how to:

- create stronger strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;
- make best use of counter-fraud capacity and capabilities and explore the potential for shared arrangements, resources and expertise;
- get a better balance between proactive and reactive counter-fraud activities;
- raise awareness amongst employees and provide the necessary training to those most likely to come across a fraud; and
- evaluate fraud risks more effectively and share fraud information both within and across sectors.

So, what do we already know about the fraudsters' response to the pandemic?

The mobilisation of fraudsters has benefited from a number of factors, for example:

- more people are spending time online to shop and socially interact. Elderly people are seen as particularly vulnerable, being generally less computer literate and more susceptible to scams such as phishing emails and ordering fake products such as face masks and sanitisers.
- working patterns have changed at short notice which can leave weaknesses in processes and procedures.
- an unprecedented amount of public money has been put into a range of new and innovative financial support schemes to businesses and individuals.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

Fraudsters and scammers mobilised quickly for a number of reasons:

- they are very good at evaluating risks and exploiting vulnerabilities which can be at a process or at an individual level;
- they have well-established tools and methodologies and can adapt them at short notice to a new opportunity; and
- they do not recognise geographical boundaries and can be effective individually and by collaborating with like-minded individuals.

There are more examples of COVID-19 frauds and scams coming to light than can be mentioned here. There are, however, a number of themes emerging:

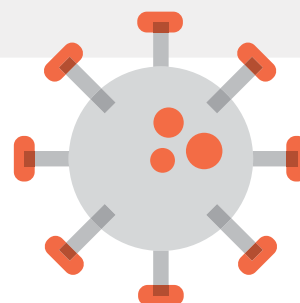
- the early reports related to the sale of Personal Protective Equipment such as face masks and hand sanitiser and testing kits. Typically, the items were fake or often failed to arrive after payment had been made¹.
- the next to emerge were phishing emails. For example, one claiming to be from the Department for Work and Pensions (DWP) asking the individual for debit or credit card details by saying that they are entitled to a council tax refund.
- as the attentions and resources of organisations were diverted to new ways of working and many staff were laid off, the incidence of cyber security attacks to steal business-sensitive and personal data increased.
- with more people working from home following the UK-wide lockdown, phishing campaigns then targeted applications that are being relied upon during remote working, in particular popular conference calling applications and parcel delivery firms.

¹ NHS in Wales introduced arrangements to mitigate against this fraud risk and it did not become an issue.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

- as the national focus turned to test and track, the fraudster's net became wide and indiscriminate, as shown by a fake text message attempting to dupe people into believing they have been in contact with someone who has tested positive for the virus, directing recipients to a website for more information. The link is then used to harvest personal and financial data.

A world-leading counter-fraud response would mean that counter-fraud specialists had identified the risks at least at the same pace as the fraudsters, if not sooner. It would also mean they had the right tools to prevent and detect fraudsters exploiting any new opportunities; and that the counter-fraud response was mobilised rapidly through effective collaboration and information sharing.





Culture and leadership across the Welsh public sector

Why is it important?

- 1.1 The Crime Survey for England and Wales recognises fraud as one of the most prevalent crimes in society today. Every pound stolen from the public sector means that there is less to spend on key services such as health, education and social services. Public sector bodies can mitigate the risks from fraud by having the right organisational culture supported by effective counter-fraud arrangements.
- 1.2 Strong leadership sets the appropriate tone from the top of an organisation and plays a crucial part in fostering a culture of high ethical standards. It is important that senior management leads by example and sends a clear message that fraud will not be tolerated either from inside or outside of the organisation. A strong tone at the top can raise the profile of fraud risks and promote the best standards and approaches in counter-fraud work.

What did we find?

- 1.3 Other than in the NHS there is an absence of any overarching strategic approach, guidance, coordination and oversight.
- 1.4 In NHS Wales, the NHS Counter Fraud Service² provides leadership, specialist investigation skills, support and guidance to the sector and a Counter Fraud Steering Group³ provides strategic direction and oversight. This leadership model delivers a coordinated approach to counter-fraud across the NHS in Wales and a good counter-fraud culture complemented by inbuilt scrutiny of the arrangements. The legal framework specific to the NHS Wales and the levels of investment give counter-fraud a high profile and robust enforcement and recovery mechanisms. At a local level, strategic leadership was evident within Health Boards through the dissemination of a consistent message, both internally and externally, that fraud is not tolerated.

2 Which is hosted by the NHS Wales Shared Services Partnership

3 A sub-group of the All Wales Directors of Finance Forum

- 1.5 Across local authorities there is an absence of sector-wide strategic leadership, guidance, coordination and oversight of counter fraud. Within the individual authorities we found statements espousing a zero tolerance of fraud in policies and strategic documents. But there is much more that can be done to re-enforce the tone from the top at a practical level. We found examples where the leadership team actively promotes the importance of a good anti-fraud culture through awareness campaigns, newsletters to staff and active engagement with counter-fraud teams. But we also found in many authorities that there was little evidence that the message is driven down from the top and little priority is given to counter-fraud work. There were often competing priorities and, as a result, little time was given to counter-fraud and it often had a low profile.
- 1.6 In Central Government, the position is mixed. Within Welsh Government, we found evidence that counter-fraud is taken seriously, and a small team has achieved many successful outcomes, albeit its emphasis leans towards reactive rather than proactive work. We have been encouraged to see that the Welsh Government has accepted both of the recommendations made by the Public Accounts Committee following our first report. However, there remains a leadership gap that still needs to be addressed.
- 1.7 Across the other central government bodies that we examined, counter-fraud is not always given such a high priority. One reason for this appears to be the very low incidence of fraud being identified and reported; this poses the difficult question of whether this is due to a lack of investment in counter-fraud or a genuine low incidence of crime taking place. However, this latter explanation runs contrary to all the research being done by recognised leaders in the field such as CIPFA and the National Crime Agency.

- 1.8 The threat posed by fraud is also getting greater recognition within the UK. The UK government, for example, is working to make central government, and the public sector more widely, a place where fraud is actively found and robustly dealt with. It is transforming its whole approach to counter-fraud by:
- a establishing a counter-fraud function;
 - b developing and launching a Government Functional Standard (GovS013);
 - c establishing a 'Government Counter Fraud Profession' to develop people and increase capability;
 - d providing expert advice to the rest of government on how to deal with fraud;
 - e delivering specialist services to assist public bodies; and
 - f collaborating with overseas governments to bring further expertise to the UK.

What can the Welsh public sector do to improve?

Recommendations

- R1** The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a co-ordinating role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities. In doing so it could consider:
- forming strategic partnerships with the key players nationally and internationally;
 - developing and delivering an all Wales counter-fraud strategy and vision;
 - advocating/promoting minimum standards in terms of public sector counter-fraud arrangements similar to those established by the UK Government;
 - elevating the status of counter-fraud staff by recognising counter fraud as a profession with essential competencies;
 - supporting the other sectors by, for example, providing invest-to-save funding opportunities, and supporting the development of professional competencies across the Welsh public sector; and
 - providing timely advice and guidance on 'hot' issues by gathering and disseminating important information and analysing trends.
- R2** All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.



Risk management and control frameworks

Why is it important?

- 2.1 Fraudsters are becoming more sophisticated and are evaluating opportunities and risks on a real-time basis. The management and mitigation of risk in public bodies often fails to keep up with changes in the nature and impact of potential fraud. The recent flooding in South Wales created opportunities for scams within days of the floods. Security experts have reported an explosion in fraudulent activity during the COVID-19 outbreak as the pandemic has created a myriad of opportunities for fraudsters (see **Case Study on page 10**).
- 2.2 A fraud risk assessment should be an honest appraisal of risks using a range of sources such as national intelligence, local intelligence, audit reports, brainstorming exercises and data-matching results. Risk assessments should be live documents and kept under constant review. Having identified the risks, bodies can then evaluate them, assessing their likelihood and the impact if the fraud were to occur. It is only when risks are properly identified and evaluated that public bodies can tackle the risks in a prioritised and proportionate way and put appropriate actions and controls in place to manage or mitigate these risks.
- 2.3 It is important that organisations have an effective control framework to help mitigate the risks identified. A strong internal control environment can help to prevent fraud from happening in the first place and detect fraud if an instance has occurred. Fraudsters will try to circumvent established controls and it is important that controls are regularly reviewed. A strong control programme whereby fraudsters are faced with a real prospect of detection helps mitigate the risk. When frauds are discovered, controls should be reviewed to identify weaknesses and introduce improvements. Internal Audit have expertise in designing and testing controls and they should undertake work on key systems on a risk-based approach.

What did we find?

- 2.4 The quality of counter-fraud risk assessment and mitigation varies significantly in the Welsh public sector and there is generally scope to improve their quality and timeliness.
- 2.5 In the NHS, National Fraud Risk Alerts are produced by the NHS Counter Fraud Authority. These are routinely circulated to all Local Counter Fraud Specialists (LCFS) and Directors of Finance across NHS Wales. The LCFS are also required to conduct their own local risk assessments. This is a relatively new requirement and we found that these assessments are still being developed and embedded. The NHS Fighting Fraud Strategy recognises that a key challenge for the sector is the need to develop a comprehensive analysis of specific fraud risks to ensure counter-fraud resources are being directed to the most appropriate areas within the sector. The Counter Fraud Steering group has undertaken an overall risk assessment and produced assurance maps in respect of each main area of fraud. These maps will be used to target area of proactive work.
- 2.6 Our work identified that while some local authorities and central government bodies have undertaken fraud risk assessments, there were many who had not prepared a fraud risk assessment for several years. Some bodies in these sectors did not have a fraud risk assessment and therefore had not properly assessed the likelihood or impact of the risk. Without this key component, bodies cannot direct resources appropriately or adequately mitigate the risks of losses due to fraud. As a result, fraud strategies and work programmes are not particularly useful or relevant as they are not targeting the key areas of risk.
- 2.7 Our work also identified that, even where risk assessments were undertaken, they may not be integrated within the wider risk management framework. Fraud is not commonly reflected in corporate risk registers. We did not find many coordinated mechanisms for ensuring that fraud risks are appropriately communicated, owned and monitored within the audited body. Instead, fraud risk assessments are often held as standalone documents without any corporate ownership or active management of the risk. As a result of this approach, fraud risks are not adequately shared across departments.

- 2.8 We did identify some good practice in the sharing of fraud risks. In response to the Coronavirus pandemic, the Welsh Government issued a fraud risk bulletin early in April 2020, highlighting the emerging risks to the Welsh public sector. Ahead of the Welsh Government's bulletin, the UK Government Counter Fraud Function published its own guide: Fraud Control in Emergency Management – COVID-19 UK Government Guidance. The guide highlights the importance of risk assessment, effective payment verification and due diligence arrangements and the need for robust claw-back arrangements to recover funds that are paid out incorrectly. There were also good examples in local authorities of raising awareness of scams with local residents.
- 2.9 We found that, in general, public bodies across all sectors have internal control frameworks that are well established and internal audit teams test controls as part of their annual programmes of assurance work. However, we found that internal audit teams do not always consider the fraud risks associated with systems as part of their work programmes. Furthermore, where new systems and processes are established, we found that organisations are not always using counter-fraud contacts and internal audit teams to try to design fraud out of systems.

What can the Welsh public sector do to improve?

Recommendations

- R3** All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.
- R4** Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.



Policies and training

Why is it important?

- 3.1 A sound policy framework enables organisations to direct their approach to counter-fraud and to promote good ethical behaviour. There should be a suite of policies and procedures in place that set out what is expected and what the consequences are for breaking the rules. Codes of conduct should set out the standards expected of employees and highlight the importance of declaring conflicts of interest and establish rules around gifts and hospitality.
- 3.2 Publicising frauds and the recovery action undertaken, helps to re-enforce the message from the top that fraud will not be tolerated. Publicity can help to discourage wrongdoing by others as it can highlight the damaging repercussions of their actions.
- 3.3 Staff are often the first to notice something irregular or potentially fraudulent and are often the first line of defence in the fight against fraud. These staff need easy access to a good counter-fraud policy and whistleblowing policy so they can be clear about their roles and responsibilities and the process they must follow if they suspect a fraud.
- 3.4 Effective training helps staff interpret policies and codes of conduct, giving them the confidence and skills to report suspected fraud. However, training and awareness-raising campaigns should be kept under continual review and must be linked to the live risk assessments so that new frauds or risks facing public bodies are quickly shared amongst staff and contractors if appropriate.

What did we find?

- 3.5 Generally, we found that public bodies have prepared and approved a range of policies setting out the processes to follow if staff suspect that they have uncovered a fraud. However, we identified that some policies were outdated, some were still in draft form and some were not easily accessible to staff.
- 3.6 Whilst NHS bodies have each developed comprehensive counter-fraud strategies (informed by an over-arching national strategy), we found that only a few other public sector bodies had done so. Such strategies set out clear approaches to managing fraud risks along with responses and actions, they define roles and responsibilities and are cross-referenced to other policies so that they can be readily understood by staff.

- 3.7 The NHS has a policy of proactively publicising successful fraud cases. The NHS Counter Fraud Service does this by issuing press releases and engaging with local media for interviews and promotional opportunities. Publicity helps raise awareness of fraud risks and also deters staff and contractors from committing fraud. By publicising counter-fraud work and raising awareness of the effects of fraud, the NHS involves staff, key stakeholders and the public in the fight against fraud.
- 3.8 We did not identify the same level of proactive publicity work in other sectors. Some local authorities take the view that publicising cases can be reputationally damaging and are therefore reluctant to publish such information. The Welsh Government recognises that more can be done to publicise fraud cases. The very low levels of fraud identified at central government bodies also means there is little publicity that can act as a further deterrent.
- 3.9 Our audit work also identified wide variation in levels of training and awareness-raising specifically relating to counter-fraud across the Welsh public sector. We found that a few public bodies provide fraud awareness training to all their staff. Some others provide training as part of the induction of new staff but do not provide this training for longstanding staff. We found some examples of refresher training sessions and e-learning modules provided for staff, but these are not widespread. There are many bodies that do not provide any counter-fraud training or awareness-raising events.
- 3.10 These findings suggest that there could be a significant proportion of the public sector workforce in Wales who have either received no fraud-awareness training at all or have not received training for several years.
- 3.11 There are good examples of awareness-raising in the NHS where the LCFS has an ongoing work programme to develop and maintain an anti-fraud culture within their health board. These programmes include the preparation of presentations and publications to raise awareness of fraud. There are also examples of LCFS undertaking staff surveys to capture the levels of staff awareness of fraud in order to act if necessary. In addition, the NHS has developed a fraud awareness e learning package for all staff and levels of compliance across organisations is reported the Directors of Finance on a quarterly basis. However, even in the NHS sector, counter-fraud training for new staff is generally not a mandatory requirement.

What can the Welsh public sector do to improve?

Recommendations

- R5** All public bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks.
- R6** Staff working across the Welsh public sector should receive fraud-awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud.
- R7** Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.



Capacity and expertise

Why is it important?

- 4.1 It is important that public bodies each designate a counter-fraud champion who understands fraud and leads the organisation's approach and response. Public bodies need access to sufficient appropriately skilled counter-fraud specialists to prevent, detect and investigate suspected fraud and protect their assets. As fraud risks change, public bodies should have resources available to provide a response that is appropriate to the threat.
- 4.2 Skilled and experienced staff will also help to ensure investigations are undertaken properly with evidence being obtained and handled lawfully in order to secure successful sanctions and the recovery of losses.
- 4.3 Investigations, whilst crucial, can be time consuming and costly and the low numbers of successful prosecutions mean that public bodies cannot rely on investigations alone to combat fraud. Public bodies need to have the capacity to undertake both proactive counter-fraud work and reactive investigation work. Proactive work includes fraud awareness campaigns, training, designing policies and strategies and strengthening controls to prevent attacks.

What did we find?

- 4.4 Insufficient capacity arose frequently as a key challenge faced by public bodies in their efforts to combat fraud. On the ground, capacity and skills in counter-fraud vary widely across and within public sector bodies in Wales. Most of the capacity is allocated to responsive work and investigations with any spare capacity being used in preventative counter-fraud work.
- 4.5 In local government, some officers are sceptical about the levels of fraud within their organisations and question the need for additional resources. However, these same local authorities allocate little resource to counter-fraud arrangements, do not have robust fraud risk assessments and the following up of matches from the National Fraud Initiative is assigned a low priority. Their assumptions about low levels of fraud run contrary to all the research being done by recognised leaders in the field such as CIPFA and the National Crime Agency.

- 4.6 Local authorities suffered a significant loss in counter-fraud capacity when the independent Single Fraud Investigation Service (SFIS) was created in 2014. SFIS is a partnership between the Department for Work and Pensions, HMRC and local authorities and which covers welfare benefit fraud. Most of the counter-fraud specialists left the sector to work for this new organisation. A small number of authorities have retained experienced and skilled counter-fraud staff, but the workload has mostly fallen on Internal Audit teams.
- 4.7 Our work found that the counter-fraud arrangements were generally more advanced in the local authorities that retained a dedicated and specialist counter-fraud resource. Where Internal Audit teams carry out the counter-fraud work we found a trade-off between counter-fraud work and the general programme of assurance work due to limited resources and competing priorities.
- 4.8 We also found that, within some local authorities, several teams play a role in counter-fraud work; for example, Internal Audit, Council Tax, and Human Resources teams all contribute. Whilst helpful in terms of adding capacity, we found that this can result in a lack of coordination and integration between these teams and a lack of clarity in the overall picture of counter-fraud activity.
- 4.9 Counter-fraud is generally better resourced in the NHS than other public sector bodies and there has been an increase in LCFS resource over recent years. There is a central team within the NHS Counter Fraud Service Wales which investigates complex, large scale frauds and provides a financial investigation resource. The team also provides guidance, intelligence and investigative support to the network of finance directors and LCFS at health bodies in Wales. In addition, Welsh Government Directions require that each health body should appoint at least one LCFS who is an accredited counter-fraud professional. These LCFS are the primary points of contact for counter-fraud work at their respective health bodies and have a key role in fraud prevention and detection. Increasing staffing levels above the minimum number is a matter of local discretion.
- 4.10 The mixture of LCFS and support and guidance from the NHS Counter Fraud Service and the Counter Fraud Steering Group has resulted in improved counter-fraud arrangements within the NHS sector in comparison to the other sectors. However, whilst LCFS staff are often shared between individual health boards, they are not pooled across the entire sector. As a result, the relatively low counter-fraud staff numbers in some health boards can cause issues if staff members are absent from work. Even within the NHS Wales, there is a general recognition that more proactive work should be undertaken.

- 4.11 The Counter Fraud Team at the Welsh Government is skilled and experienced and has secured a number of high-profile prosecutions over recent years. However, a recent Government Internal Audit Agency review of the Welsh Government in 2017 concluded that the counter-fraud function could achieve more with increased resources. The Counter Fraud Team is able to draw on resources from within the Welsh Government to assist with investigations where appropriate and there are plans to increase the resource in the team in the near future.
- 4.12 Our audit also found that public bodies in Wales are generally following traditional counter-fraud approaches with a focus on detection and investigation rather than prevention. Most public bodies recognise that more proactive and preventative work should be done, but they acknowledge that the lack of time, resources and expertise are barriers to making this shift of focus.
- 4.13 We did not find many examples of public bodies in Wales outside the NHS pooling resources to help reduce duplication of effort and improve the efficiency and effectiveness of counter-fraud arrangements across sectors. Pooled resources could also help to improve continuity and add flexibility to adapt to changing needs going forward.
- 4.14 In 2018 the UK government launched the Counter-Fraud Profession to enhance overall counter-fraud capability across government. The profession develops the skills of specialist staff and moves beyond the traditional focus of investigations, placing greater emphasis on fraud prevention and the use of data analytics. Membership across UK Government Departments has been steadily increasing, and the Welsh Government is engaged with this initiative. Organisations joining the profession are required to have learning environments that support their staff to develop and maintain professional standards.

What can the Welsh public sector do to improve?

Recommendations

- R8** All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.
- R9** All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.
- R10** All public bodies should consider models adopted elsewhere in the UK relating to the pooling and/or sharing of resources in order to maximise the availability of appropriately skilled staff.



Tools and data

Why is it important?

- 5.1 An effective counter-fraud function will ensure that those responsible for it are equipped with up-to-date methodologies and the right tools for the job. Counter-fraud staff must make best use of data and intelligence in order to:
 - a prevent fraud by 'fraud-proofing' systems and processes; and
 - b mounting an effective response to suspicions of fraud.
- 5.2 New fraud threats are continually emerging, both globally and nationally. It is important that public bodies have flexible, cutting-edge counter-fraud approaches that are fit for a digital age and agile enough to keep up with, or better still, ahead of the fraudsters.
- 5.3 Cyber-attacks are an alternative means of committing traditional frauds such as the theft of assets, cash or intellectual property. PricewaterhouseCoopers' most recent global economic crime survey found that cyber crime is now the most common fraud facing UK businesses, overtaking asset misappropriation for the first time since the survey began. We can see this in the explosion in number of cyber scams linked to the COVID-19 pandemic.
- 5.4 Preventing fraud is always preferable to responding to an instance. Many organisations are now looking to 'fraud-proof' systems at the point of entry using the latest developments in data analytics. For example:
 - a the Cabinet Office has developed on-line tools that can look at 10,000 records in seven seconds to provide due diligence checks on grant applications; and
 - b the Department of Work and Pensions have been trialling an Artificial Intelligence system that detects fraudulent claims by searching for certain behaviour patterns, such as benefit applications that use the same phone number or are written in a similar style. Any suspicious activity is then passed on to specialist investigators.
- 5.5 Data analytics provide an increasingly important tool in preventing fraud as well as in its detection. We look at how public bodies can share data to help find fraud in the next section of this report.
- 5.6 Sophisticated technology and data analytics are of little use if they are not used effectively and this requires adequately trained resource to understand it. Therefore, it is important that public bodies have access to staff adept in data analytics in order to achieve better counter-fraud results.

- 5.7 Knowing what to do in the event of a suspected fraud improves the chances of a successful enforcement action. It also re-enforces the tone from the top that the organisation does not tolerate fraud. Fraud response plans need to provide a clear direction to relevant parties so that bodies are able to respond to allegations quickly and appropriately. A response plan should be reviewed regularly to ensure that responses to fraud keep abreast with changing times and emerging risks. They should outline:
- a the fraud investigation process from receipt of allegation to outcome report;
 - b roles and procedures for securing evidence and undertaking interviews;
 - c details of how and when to contact the police;
 - d a commitment to pursuing a range of sanctions;
 - e reporting arrangements; and
 - f how lessons learned will be used to strengthen system and process controls.

What did we find?

- 5.8 Generally speaking, we found that more work is needed to bring counter-fraud tools and methodologies up to date to reflect the new world of cyber attacks and digitally-facilitated crimes. Many local authorities and central government bodies we looked at as part of our fieldwork did not have information security policies that reflected the risks associated with cyber crime. The situation was more positive in NHS Wales bodies.
- 5.9 Our review identified only a few examples of data analytics being used as a means of preventing fraud. Data analytics are used more widely to detect fraud, in following up on NFI data matches, for example, but our previous audit work⁴ has shown that the level of engagement with the NFI varies considerably across Welsh public bodies.
- 5.10 We found that some local authorities and central government bodies did not have a fraud response plan that was communicated to all staff and which made it clear that all allegations of fraud would be investigated. The Welsh Government had a fraud response plan, but this was in draft form at the time of our audit work and was not, therefore, available to staff. Again, the position was much more positive in NHS Wales.

4 Our October 2018 NFI report stated that 'most Welsh public sector bodies participating in the NFI were proactive in reviewing the data matches, but a small number of participants did not review the matches in a timely or effective manner'.

- 5.11 NHS bodies all use the same case management system to record and monitor the progress of potential fraud cases. In other sectors, few bodies have a case management system although some do have a spreadsheet log that records information. The variation in the information collected makes it very difficult to report an all-Wales position on the level of fraud taking place. The reasons that many local authorities and central government bodies do not have a case management system or detailed records was the very low numbers of fraud cases that were being identified and handled.
- 5.12 Most of the public bodies we looked at consider the full range of possible sanctions (disciplinary, regulatory, civil and criminal) against fraudsters and will seek redress including the recovery of assets and money where possible. However, many bodies report such low levels of fraud that it is impossible to substantiate their claims. For any internal frauds identified, most bodies tend to deal with the perpetrators through internal disciplinary procedures.
- 5.13 Most of the public bodies we looked at reflected on the weaknesses revealed by instances of proven fraud and corruption and fed back to departments and teams so that they might fraud-proof their systems. The arrangements at local NHS bodies were particularly robust because fraud cases in their case management system cannot be closed down without providing assurance that any system weaknesses have been considered and remedied if necessary.

What can the Welsh public sector do to improve?

Recommendations

- R11** All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforce the tone from the top that the organisation does not tolerate fraud.
- R12** All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.



Collaboration

Why is it important?

- 6.1 Fraudsters do not respect geographical or other boundaries. This means that individual public sector bodies cannot establish effective counter-fraud arrangements by themselves. They must work collaboratively to maximise the effectiveness of their response to fraud.
- 6.2 Collaboration is an increasingly important aspect of public service, particularly in the context of reduced funding and the need to do more with less. Collaboration is also one of the 'five ways of working' as defined in the Welsh Government's 'Well-being of Future Generations (Wales) Act 2015: the essentials'⁵ document. It is therefore essential that collaboration and the sharing of intelligence and good practice take place between public, private and third-sector bodies across the UK and internationally.
- 6.3 Collaboration can mean sharing people or pooling resources and, more commonly these days, in the sharing of information. This information can be shared between departments, between bodies, across different elements of the public sector and with other key stakeholders such as law enforcement authorities and the private sector. The information shared can be about the nature of a fraud or information about the identities of the perpetrators.
- 6.4 The sharing of data to help find fraud is a rapidly evolving area and is being facilitated by changes in the law. In 2017, the Digital Economy Act became law, enabling public authorities to share personal data to prevent, detect, investigate and prosecute public sector fraud. The Act recognises that the wider use of data-sharing could improve the prevention, detection and investigation of fraud in a number of ways, including:
 - a improved targeting and risk-profiling of potentially fraudulent individuals;
 - b streamlining processes, enabling the government to act more quickly; and
 - c simplifying the legislative landscape.

5 Well-being of Future Generations (Wales) Act 2015: the essentials', Welsh Government (2015)

What did we find?

- 6.5 Our field work across forty public sector bodies in Wales found that collaboration was insufficiently developed, reinforcing the findings of our 2019 review.
- 6.6 Within local authorities and central government bodies there are some good examples of bodies working jointly and some regional networks, but these tend to be informal arrangements and there is no consistency in approach. Formalising arrangements can help improve accountability and governance and can influence commitment and results.
- 6.7 The picture is generally more positive across local NHS bodies and the Welsh Government than in local authorities and central government bodies. However, there is scope for all public bodies to work more closely with each other and with other stakeholders to tackle fraud.
- 6.8 Because of the tiered approach to counter-fraud within NHS Wales and established formal partnerships with the NHS Counter Fraud Authority, there is good access to specialist fraud investigation teams such as surveillance, computer forensics, asset recovery and financial investigations. The NHS Counter Fraud Service Wales provide the surveillance, asset recovery and financial investigations services to NHS Wales, while the NHS Counter Fraud Authority provides forensic computing services and other specialist support services to NHS Wales under the terms of their annual agreement with Welsh Government.
- 6.9 The existence of these formal access arrangements is less well established within other sectors, but most organisations told us that they could access specialist services if required. The low level of fraud being identified was one of the reasons given for the absence of formal partnerships between public sector bodies.
- 6.10 We also found wide variations in the amounts of data that are shared. In most bodies, the sharing of data was typically limited to the National Fraud Initiative (NFI), although not all central government bodies currently take part in NFI. We found that some local authorities do not invest much resource into following up NFI matches and these are often the same authorities in which counter-fraud arrangements were limited.
- 6.11 There were very few examples of organisations working frequently across internal and external boundaries and sharing information. Common reasons for this lack of collaboration was lack of time and resources, and concerns about the sharing of data.

What can the Welsh public sector do to improve?

Recommendations

R13 Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.



Reporting and scrutiny

Why is it important?

- 7.1 Arriving at a reliable estimate for the cost of fraud is a difficult task. This is particularly so for the Welsh public sector as our 2019 report highlighted. Whilst the UK Government produces annual estimates, there is no breakdown of this estimate to each of the devolved administrations in the UK. CIPFA's most recent analysis estimates that fraud costs the UK public sector £40.3 billion annually. The Cabinet Office⁶ estimates losses due to fraud and error at between 0.5% and 5% of budget. Applying this range to annual public expenditure in Wales of around £20 billion gives a possible estimated value of losses to fraud and error between £100 million and £1 billion per annum. The losses are therefore significant and take valuable funding away from our public services.
- 7.2 Fraud is often under-reported as some suspicious activity identified through NFI matches, for example, is not classified as fraudulent and therefore not reported. Also, some public bodies fail to report fraud as it can attract unwanted publicity and perceived reputational damage. This situation leads to an incomplete national intelligence picture.
- 7.3 The International Public Sector Fraud Forum⁷ has recognised that 'finding fraud is a good thing' and this is one of their 'Key Fraud and Corruption Principles'. The Forum noted that, if bodies do not find fraud, then they are unable to fight it, and that a change of perspective is needed so that the identification of fraud is seen as a positive and proactive achievement.
- 7.4 Reporting fraud to those charged with the governance of public sector organisations is important as it provides managers and audit committees, for example, with the information and intelligence they need to challenge and scrutinise. To facilitate accountability, public bodies should provide copies of counter-fraud reports detailing numbers of cases and outcomes to audit committees so that they are fully informed of any issues of concern and can hold management and counter-fraud teams to account. Audit committees can also promote the message that fraud will not be tolerated, supporting the efforts of counter-fraud teams.

6 Cabinet Office Cross Government Fraud Landscape Report 2018

7 International Public Sector Fraud Forum A Guide to Managing Fraud for Public Bodies in Feb 2019

What did we find?

- 7.5 The arrangements in NHS Wales to record, collate and share information about fraud losses and recoveries are well established. The NHS Counter Fraud Service collates information on the number of fraud cases and recoveries from each health body as a matter of course. There are quarterly and annual Operational Performance Reports which summarise information about resources, referrals and the work of the Counter-Fraud Service and LCFS based at each health body. These reports are reviewed by the Counter Fraud Steering Group and shared with Directors of Finance and the audit committees of each health body, helping to facilitate meaningful comparisons within the sector. The NHS Counter Fraud Authority also reports to the Welsh Government on a quarterly basis.
- 7.6 In other sectors, audit committees are not generally provided with as much information:
- a in the Welsh Government, the Audit and Risk Assurance Committee is not provided with, nor does it request, detailed information about fraud cases, although information about major cases and anti-fraud activity is included in the regular report from the Head of Internal Audit;
 - b in the local government sector, fewer than half the authorities report information about fraud cases, losses and recoveries to their audit committees on a regular basis; and
 - c even fewer central government bodies report on cases of fraud, reflecting a very low incidence of fraud being identified and managed.
- 7.7 The absence of both the reporting of information and arrangements to collate and share this information across the Welsh public sector is troubling for a number of reasons. It does little to help re-enforce a zero-tolerance message from the top of an organisation to both staff and external stakeholders. It may also send the wrong message to fraudsters that Wales does not see fraud as a priority and makes it difficult to assess the level of risk and how best to respond to it by senior public sector officials and politicians.
- 7.8 When frauds are identified, Internal Audit (or, where they exist, counter-fraud specialists) provide audit committees with reports and updates. On balance, however, audit committees outside of the NHS Wales have not been sufficiently proactive in recognising the increasing risk of fraud and in asking the searching questions necessary about the matching of resources to risk or about the lack of information being supplied about fraud risk.

What can the Welsh public sector do to improve?

Recommendations

- R14** Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.
- R15** Audit committees must become fully engaged with counter-fraud, providing demonstrable support and direction, monitoring and holding officials to account if insufficient information is being provided about counter-fraud activity.



Appendices

- 1 Audit methods
- 2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee

1 Audit methods

Our audit was structured around seven key lines of enquiry to help us answer the overall question: 'Are the arrangements for preventing and detecting fraud in the Welsh public sector effective?':

- Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?
- Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?
- Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
- Does the organisation have an effective fraud risk assessment together with appropriate responses to emerging issues?
- Does the organisation's internal control environment support effective arrangements for preventing and detecting fraud?
- Does the organisation have an appropriate response to fraud?
- Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

The audit fieldwork was carried out by our local audit teams between November 2019 and February 2020. Their fieldwork included:

- structured interviews – interviews with key individuals in order to understand the counter-fraud arrangements in place at each audited body; and
- document reviews – where these existed, they typically included the counter-fraud strategy, risk assessment, work plans, corporate risk register, fraud response plan, Codes of Conduct, whistleblowing policy, guidelines and procedures for local fraud investigators and counter-fraud reports/updates provided to Audit Committee.

Teams also issued a core information request in order to gather some information directly from audited bodies.

The project team collated and reviewed the local findings to distil the key messages for inclusion in this report. Our audit teams have been providing tailored feedback on their local findings to relevant staff at each audited body.

The audited bodies included in this study are:

Local Government bodies:

- Blaenau Gwent County Borough Council
- Bridgend County Borough Council
- Caerphilly County Borough Council
- Cardiff Council
- Carmarthenshire County Council
- Ceredigion County Council
- Conwy County Borough Council
- Denbighshire County Council
- Flintshire County Council
- Gwynedd Council
- Isle of Anglesey County Council
- Merthyr Tydfil County Borough Council
- Monmouthshire County Council
- Neath Port Talbot County Borough Council
- Newport City Council
- Pembrokeshire County Council
- Powys County Council
- Rhondda Cynon Taf County Borough Council
- City and County of Swansea
- The Vale of Glamorgan Council
- Torfaen County Borough Council
- Wrexham County Borough Council

NHS Wales bodies:

- Aneurin Bevan University Health Board
- Betsi Cadwaladr University Health Board
- Cardiff and Vale University Health Board
- Cwm Taf Morgannwg University Health Board
- Hywel Dda University Health Board
- Powys Teaching Health Board
- Swansea Bay University Health Board
- Health Education and Improvement Wales
- Velindre University NHS Trust
- Public Health Wales Trust
- Welsh Ambulance Service NHS Trust

Central Government bodies:

- Welsh Government
- Welsh Revenue Authority
- Arts Council for Wales
- Higher Education Funding Council for Wales
- National Museums and Galleries Wales
- Natural Resources Wales
- National Library of Wales
- Sport Wales
- Senedd Commission

2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee

PAC Recommendation

We ask that the Welsh Government consider whether there is scope and potential to support a national counter fraud team to work across Wales to ensure that at least a basic level of counter fraud work is undertaken in each local authority area by suitably trained staff.

We ask that the Welsh Government consider how it can best provide stronger national leadership and better quality guidance on the sharing of information to help strengthen and improve the impact of counter fraud activities across the Welsh public sector.

Response from the Welsh Government's Permanent Secretary

The Welsh Government recognises and fully supports local authorities addressing fraud within the £8 billion of their general revenue expenditure.

As independent democratically led organisations, the prime responsibility for the detection and prevention of fraud is for each of the 22 councils themselves. As such, we would expect all to be fully engaged in this work and for local politicians to understand and provide leadership.

To make sure that the recommendation is understood and given priority, officials will raise the matter with Ministers to secure an item on the Partnership Council agenda as well as its Finance Sub Committee. Subject to Ministers' agreement, we will agenda an item for the next possible meeting.

I am supportive of any move to increase the understanding of fraud and the consistent application of best practice techniques across the Welsh Public Sector and there exists already a vehicle to bring together counter-fraud practitioners and other interested parties and drive forward a common understanding of this important area.

The Welsh Government's Head of Counter-Fraud is Deputy Chair of the Wales Fraud Forum (WFF), which is a not-for-profit company run by a strategic board of volunteers. Its aims are to help prevent fraud in Wales by raising awareness in the public and private sectors and amongst individuals. In particular, its stated objectives include to:

- bring the public and private sectors together to fight fraud and financial crime and to protect the economy of Wales;

PAC Recommendation

Response from the Welsh Government's Permanent Secretary

- promote fraud awareness amongst its membership, organisations and individuals throughout the region;
- create good practice cultures by encouraging and developing anti-fraud strategies for its membership to utilise;
- establish a best practice between its members for fraud prevention, investigation and detection; and
- promote an open and co-operative environment between the membership in both the public and private sectors.

The Forum is held in high regard; in 2017 the current First Minister gave the keynote address at its annual conference and outlined his support for effective counter-fraud arrangements across Wales. Forum membership includes the Audit Wales as well as a number of public and private sector organisations.

Therefore, I believe the Welsh Government can achieve the outcome desired by identifying strategies to support the work of the Forum, raising its profile within the Welsh Public Sector and seek a high level of commitment to support it. I will ask Officials to engage with the Forum to discuss strategies for strengthening its effectiveness by the end of the calendar year.

We agree there is potential in the use of data sharing between Welsh public bodies to improve the impact of counter-fraud activities. The introduction of the Digital Economy Act gives the Welsh Government and certain scheduled Welsh public bodies useful new powers to share data with each other compliantly to identify potential fraud. Officials are working on setting up the appropriate governance for taking forward the use of these new powers in Wales, and are aiming for a panel to be in place by the end of the financial year to consider potential uses of the powers.



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Powys County Council

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30th July 2021

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Appendix A – Audit Plan 20/21 update

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As part of our update reports, we will provide an ongoing update to support our end of year annual opinion.

There were no significant risks identified in Quarter 1, 2021/22.

We keep our audit plans under regular review to ensure that we audit the right things at the right time. Regular meetings with the Council's SLT and other External Regulators identify potentially high-risk areas for inclusion in the forward work programme. It also helps build a wider risk profile and helps co-ordinate activities which avoids duplication and wasted resources.

Role of Internal Audit

The Internal Audit Service for Powys County Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and is also guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The work of the Partnership is also guided by the 'Internal Audit Charter' that was approved in May 2021.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work is driven by the risks the Council faces of not delivering front line and supporting services to achieve the objectives outlined in "Vision 2025".

Internal Audit Work Programme and Outcomes

This is the first quarter update for 2021/22 and reviews completed have highlighted that whilst generally risks are well managed, we have identified some gaps, weaknesses, and areas of non-compliance. However, we have reasonable levels of confidence that the agreed actions will be implemented and thus strengthen internal control. There have been no areas of significant risk to report during the period. Senior Management are recognising the agile approach and increasingly directing internal audit to areas of likely risk, or known issues, which is a positive.

Appendix A contains the workplan agreed by Powys SLT in April 2021 and Governance & Audit Committee in May 2021 with status updates. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed. Each completed assignment includes its respective "assurance opinion" rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'limited Assurance Opinion' is given as part of this report.

We have undertaken five benchmarking exercises since our last report (see Appendix A). We use our own SWAP Partner Councils for benchmarking, but also utilise a wider group of Chief Auditor Networks.

Work Plan - Update

The Committee should be sighted of all audit reports with adverse opinions. Whilst this report is classified as advisory, the findings fall under the responsibility of the Committee to consider fraud prevention and detection activities.

The Committee will receive this report in its entirety along with management action plans.

A further Cross partner report will also be presented to Committee showing where the Council stands in relation to other Local Authorities.

Adverse Opinion Reports (Limited Assurance)

Baseline Assessment of Maturity in relation to Fraud – March 2021



Baseline Assessment of Six Themed Areas



- Resource and Communication
- Fraud Risk Management
- Policy Related
- Committee Related
- Culture and Awareness
- Reporting, Investigating and Monitoring

Scope and Ambition

This baseline assessment is a corporate view of fraud maturity within the organisation. We recommend a revisit of the assessment in twelve months' time, with a view to an expected increase in the level of maturity. It is vital that management ensure the key findings from this work are considered and that they work with SWAP to reduce risk of fraud and to protect the public purse.

SWAP intends to share the results of this assessment across its wider partnership, to give opportunity for Councils to compare outcomes and where possible, share good practice. This exercise will anonymise the information from each Council.

Key Findings

	There is no agreed Anti-Fraud Strategy or Fraud Response Plan. The programme of counter-fraud work was not provided and there is no evidence that this is agreed and progress is monitored by Audit Committee.
	There has been no recent training delivered in relation to anti-fraud and corruption. Fraud training is not mandatory and there is little evidence that anti-fraud awareness is promoted across the Council.
	The Council has not yet completed a formal assessment in relation to fraud and corruption risks. Fraud risk is not specifically reviewed by Senior Management and Members.
	The Whistleblowing Policy contact details are out of date. The Officer and Member Code of Conduct documents do not specifically include reference to fraud.
	The Council has a dedicated and qualified Counter Fraud Team, which works jointly with other bodies and provides support in relation to prevention and detection, including reviewing of relevant service specific policies.
	We are informed that allegations and fraud incidents are promptly investigated by the Counter Fraud Team, who have access to relevant information.

Assessments per Area Reviewed

Resource and Communication



Fraud Risk Management



Policy Related



Committee Related



Culture and Awareness



Reporting, Investigating and Monitoring



- Assessed not to be in place/ operating ineffectively – requires significant improvement.
- Assessed to be partially in place – requires improvement.
- Assessed as in place/ operating effectively.

Restricted

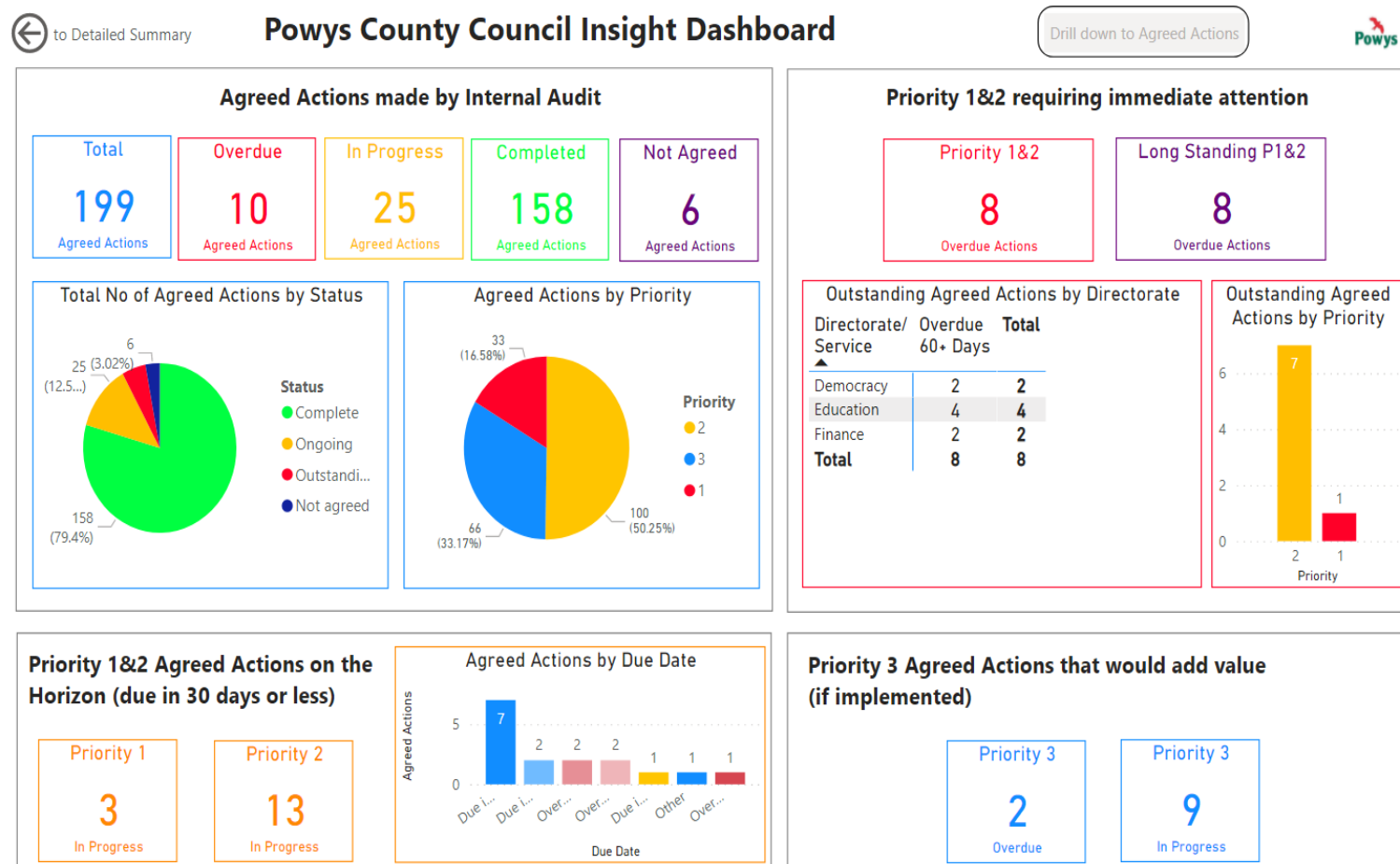
The recommendation tracker can be used to gain an oversight of the delivery position, but all allow users to drill down into the details to gain assurance at the more granular level if required.

The tracker is based mostly on self-assessment rather than independent verification. Therefore, a role remains for the Internal Audit Working Group and follow-up audits on the areas of highest risk.

In general, the Council are effectively mitigating risks identified in Internal Audit Reports.

Action Tracking

Internal Audit have implemented a robust system of tracking the delivery of agreed actions. The tracker allows all stakeholders to gain assurance that key risks are being addressed and actions are being implemented. The following tables reflect the status of action over a 2-year rolling period in Powys as at July 2021:



Work Plan - Update

The following is a list of all agreed actions that are overdue. Whilst none of these represent a significant risk to the Council at present, SWAP will monitor the situation to keep the Committee informed.

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[← to Directorate](#)

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in Total

[Drill Down](#)

[Data Gateway](#)
[Paginated Report Builder](#)
[Power BI for Mobile](#)
[Analyze in Excel updates](#)

Directorate/ Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Revised	on	Status
Education	Ysgol Gymraeg Dyffryn 19/20	42699	It is not clear as and when the last inventory check had been carried out as the records are not signed and dated upon completion. The school needs to implement the annual certification.	3	Headteacher	30 January 2020		518	Outstan
Education	Ysgol Gymraeg Dyffryn 19/20	42700	The school need to ensure that a year end statement of accounts is produced. Once completed a copy needs to be issued to the Governing Body, LEA, parents and interested parties.	2	Headteacher	30 January 2020		518	Outstan
Education	Ysgol Gymraeg Dyffryn 19/20	42703	The school needs to ensure that all invoices comply with the VAT guidelines.	2	Headteacher	30 January 2020		518	Outstan
Education	Ysgol Gymraeg Dyffryn 19/20	42701	The school needs to remove the safe key offsite at the end of each day. The school aslo need to obtain a second key as a contingency measure.	2	Headteacher	30 January 2020		518	Outstan
Education	Ysgol Gymraeg Dyffryn 19/20	44845	The School needs to work towards a balanced budget.	1	Governing Body/Head	01 April 2021		91	Outstan
Finance	Debt Management	42315	We recommend that all debt is pursued in line with the Authorities approved guidance.	2	Dave Thomas	01 April 2020		456	Outstan
Democracy	Conflict of Interest	43032	We recommend that all officers with influence should complete a declaration of interest form even if it is a nil return. Ideally, this should be done at the start of their employment.	2	Head of Legal & Democratic Services.	01 November 2020	31 March 2021	92	Outstan
Democracy	Conflict of Interest	42928	We recommend that the Authority needs to ensure that all staff are made aware of their declaration responsibilities and methods to record any conflict of interests.	2	Head of Legal and Democratic Services.	01 December 2020	31 March 2021	92	Outstan
Democracy	Conflict of Interest	44839	We recommend that the Council need to refresh / re-evaluate the policies and frameworks they have in place to control conflict of interests to ensure it is aligned to the behaviour framework and that systems operate effectively.	3	Head of Legal & Democratic Services.	31 March 2020		457	Outstan
Finance	Treasury Management	43650	We recommend that the HSBC Priority Payment & CHAPS Payment print outs are always signed in accordance with approved procedures	2	James Chappelle	24 April 2020	31 March 2021	92	Outstan

Work Plan - Update

APPENDIX A- Internal Audit Activity (Quarter 1)

Completed Audits (Opinion)							
Assignment	Service Area	Status	Opinion	No of Recs	Priority 1	Priority 2	Priority 3
Impact Assessments	Trans & Comms	Complete	Reasonable	2	0	1	1
Creditors (CRSA)	Finance	Complete	Substantial	0	0	0	0
Mental Capacity Act	Children and Adult	Complete	Reasonable	3	0	1	2
Brecon High School- Follow up	Schools	Complete	Reasonable	1	0	1	0
Purchase Cards CRSA	Finance	Complete	Reasonable	2	0	2	0
Draft Reports (opinion) - With the Client							
Assignment	Service Area	Status	Opinion	No of Recs	Priority 1	Priority 2	Priority 3
y Gaer	Housing & Community	Draft - with Client	TBC	In Development			
Supply Chain Fraud Risks	Finance	Draft - with Client	TBC	In Development			
Children Services- Budget Management	Social Care	Draft - with Client	TBC	In Development			
Council Tax (CRSA)	Finance	Draft - with Client	TBC	In Development			
Management of Digital Information Assets	Digital	Draft - with Client	TBC	In Development			
Debtors CRSA	Finance	Draft - with Client	TBC	In Development			
Work in Progress (Opinion)							

Work Plan - Update

Assignment	Service Area	Status	Opinion	No of Recs	Priority 1	Priority 2	Priority 3
Ysgol Calon Cymru (Budget Setting and management)	Schools	In Progress					
Covid Fraud Risks	Finance	In Progress					
Primary School Audit x 5	Schools	In Progress					
Continuing Health Care	Adults	In Progress					
HTR Resurfacing Processes (Unplanned)	Highways, Transport and Recycling	In Progress					
WCCIS	Adults and Children	In Progress					
Advisory Work (Non-Opinion)							
Assignment	Service Area	Status	Opinion	No of Recs	Priority 1	Priority 2	Priority 3
National Fraud Initiative Update Report (Q1/ 2021)	Finance	Draft with Client	Advisory				
Baseline Assessment of Fraud Maturity - Cross Partner	Corporate	Complete	Advisory				
Baseline Assessment of Fraud Maturity - Powys	Corporate	Complete	Advisory				
Those Charged with Governance (unplanned)	Finance	Complete	Advisory				
Grant Certification							
Assignment	Service Area	Status	Opinion	No of Recs	Priority 1	Priority 2	Priority 3
Grant Certification – Trading Standards	Prop, Plan & PP	Complete	Certified				
Grant Certification – EIG/PDG	Schools	Deferred to Q2					

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Work Plan - Update

Grant Certification – Supporting People	Housing & Community	Deferred to Q2					
Deferred Work (Opinion)							
Assignment	Service Area	Status	Opinion	No of Recs	Priority 1	Priority 2	Priority 3
Statutory Compliance - Housing Stock	Housing & Community	Deferred Q3					
Support Work							
Assignment	Service Area	Status	Opinion	No of Recs	Priority 1	Priority 2	Priority 3
LA Covid Support Grant for Schools(Monthly)	Finance	Complete	Support				
Recommendation Tracking reports (Monthly)	Corporate	Complete	Support				
Added Value							
Assignment	Service Area	Status	Opinion	No of Recs	Priority 1	Priority 2	Priority 3
Appointee & Deputyship prepaid cards	Benchmarking	Complete	Support				
Insurance	Benchmarking	Complete	Support				
Coroners	Benchmarking	Complete	Support				
Schools Forum	Benchmarking	Complete	Support				
Disclosure and barring Checks	Benchmarking	Complete	Support				
Governance & Audit Committee Training- May 21	Training and Awareness	Complete	Support				

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Agile Internal Audit Plan Quarters 1 & 2 2021-22

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The Internal Audit Plan: Summary

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The work of internal audit should align strategically with the aims and objectives of the Council; taking into account key risks, operations and changes.

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout Quarter 1 & 2 of the 2021/22 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.



Introduction and Purpose of the Internal Audit Plan

Over the past year, as a result of the COVID pandemic, SWAP, like Powys County council, has had to adapt, re-prioritise, and shift focus. Whilst 2020/21 was an exceptional year, it has demonstrated the need for a fully flexible and responsive approach to audit planning. Although 2021/22 is likely to offer more stability in operations, we are looking to build on our new planning approach, ensuring that we are supporting the Council by collaboratively aligning our work to its aims, objectives and key risks. This should ensure that we are auditing the right things, at the right time; enabling us to provide insight and value when and where it is required.

Prior to the start of each Quarter, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

When reviewing the proposed internal audit plan (as set out in Appendix A), key questions to consider include:

- Are the areas selected for coverage this coming quarter appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the EMT and SLT and Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

The Internal Audit Plan: Approach



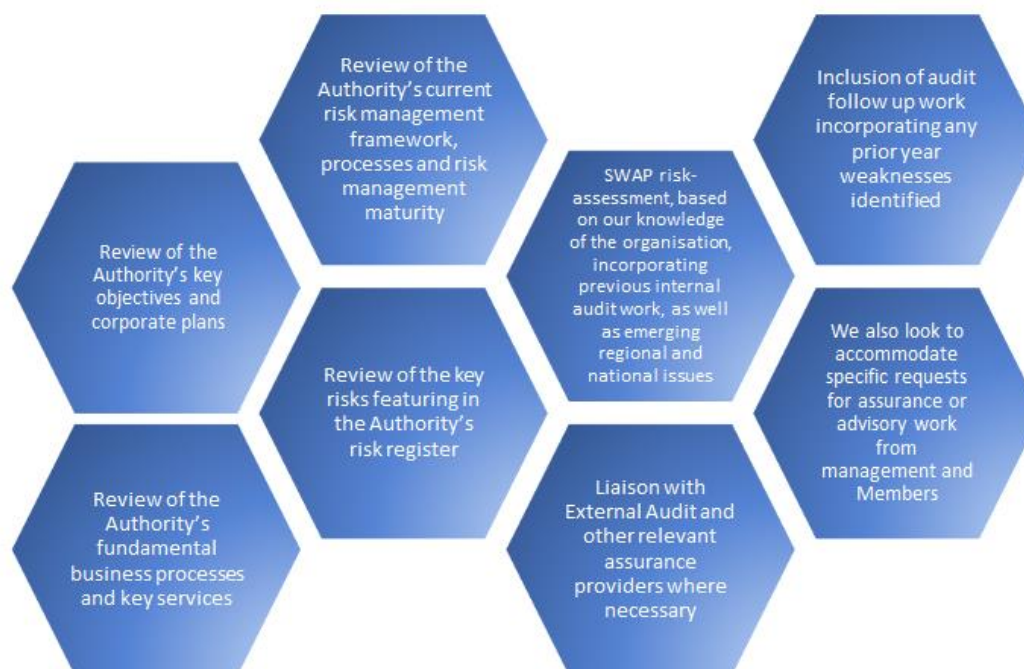
Approach to Internal Audit Planning 2020/21

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

In order to do this, Internal Audit needs to be flexible in adapting audit plans to handle rapidly changing risks, priorities and challenges.

It is the responsibility of the Senior Leadership Team, and the Audit & Governance Committee to ensure that the audit work scheduled and completed throughout the year contains sufficient and appropriate coverage of key risks.

The factors considered in putting together the 2021/22 internal audit plan have been set out below:



We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and controls. Our 2021/22 audit plan is determined quarterly in order that the plan can remain agile to respond to new and emerging risks as and when they are identified.

The Internal Audit Plan: Risk Assessment

A continual risk assessment when developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

The table sets out the keys risks that have been locally assessed by Powys County Council aligned to the wider Local Government sector by SWAP.



Internal Audit Risk Assessment

Risk Rank	Powys Risk Reference	Powys Risk Area	SWAP Risk Review
1	WO0021	Workforce Planning. Recruitment and Retention	Planning-affordable Housing Local Economy -unemployment, decline of High Street, transport Environment – sustainability, climate change, carbon reduction, recycling
2	FIN0001	Inability to Setting a balance Budget heightened by pandemic	Governance- decision making and scrutiny, culture, ethics and regulatory compliance
3	PCC0005	Impact of the Covid pandemic	Housing- homeless and vulnerable, safeguarding, Adults -caseloads, workforce, partnerships, multiagency, Inspections Children – safeguarding, caseloads, LAC, foster care
4	PCC0002	Impact of Brexit	Financial resilience- spending review, funding gaps, commercialisation, financial crime, Brexit
5	PCC0003	Negative Inspection Reports	Health, Safety and Wellbeing – homeworking, public spaces, building cladding, housing maintenance
6	ICT0010	GDPR and DPA Non-Compliance	Educational Delivery – absence, asset management, budgets, workforce, transport,
7	PPPP007	HOWPS Performance and Delivery	Contract, procurement, and partnerships- social value, insourcing, modern slavery, supplier resilience, nth Party risk, outsourcing risk
8	CS0081	Children Services Budget	Workforce – covid, recruitment and selection, exit payments, talent management, training, sickness
9	ED0022	Schools Financial Management / Distribution formula	Information Management – Access, cyber security, business continuity, information governance, digitalisation, Comms, Mobile Devices
10	ICT0029	Cyber Security Threat	Strategic asset management- land and property management
11	COVID0058	Non delivery of PIAP due to Covid, Schools Transformation	Change- Brexit, transformation, project failure, emergency planning
12	HO0024	Statutory Compliance in Housing stock	

The Internal Audit Plan: Coverage

The Quarter 1 & 2 Plan is contained within Appendix A.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.

Internal Audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.



Internal Audit Coverage in 2021/22

Our approach to internal audit planning throughout 2021/22 will be a continuous risk assessment and rolling plan approach. The environment is subject to a high level of uncertainty and change so we will build our plan in conjunction with management as the year progresses.

The resulting programme will be a combination of requested audit work aligned to service priorities, combined with audit work recommended by SWAP driven by our continuous risk assessment. This risk assessment will be based on the live status of both the Council's strategic and service risk registers, as well as the Council's performance management data. Overlaid onto this assessment will be SWAP's sector-wide top risk areas. The results of our risk assessments will be shared with Senior Management in Services through our engagement meetings to obtain their view on the value of internal audit involvement. In developing risk assessments, we will also take account of other sources of assurance, where relevant.

As the year progresses, we will update the committee through our usual quarterly update report on internal audit activity. It will be through this process that the Senior Leadership Team and Audit & Governance Committee Members will be able to assess whether the audit work building throughout the year provides sufficient and appropriate coverage of key risks.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage of key risks, will enable us to satisfy our requirement to provide a well-informed and comprehensive year-end annual internal audit opinion.

The Internal Audit Plan: Coverage

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SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves.

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public sector Partners
- Regular updates containing emerging issues, risks and fraud alerts identified across the SWAP partnership and beyond
- Member training Events



Your Internal Audit Service

Audit Resources

The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The reduction in the audit budget for 2021/22 will reduce the breadth of coverage we are able to provide. Alternative sources of assurance should be sought/ identified where internal audit coverage of key risks has not been undertaken.

External Quality Assurance

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors (IPPF) and the Public Sector Internal Audit Standards (PSIAS).

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed general conformance with the IPPF standards.

Conflicts of Interest

We are not aware of any conflicts of interest within Powys County Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. The Council have their own Counter Fraud Team for both reactive investigations and proactive initiatives. We have dedicated counter fraud resource available to undertake specific investigations if required.

Powys County Council Proposed Internal Audit Plan 2021/22

APPENDIX A

It should be noted that the audit title is indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Service	Quarter	Areas of Coverage	Audit Sponsor/ Senior Management Lead
Finance	1	Creditor Payments - Control Risk Review	Jane Thomas, Head of Finance
Finance	1	Purchase Cards - Control Risk Review	Jane Thomas, Head of Finance
Transformation	1	Impact Assessments	Emma Palmer, Head of Transformation
Adults	1	Mental Capacity Act	Michael Gray, Head of Adult Services Alison Bulman, Director of Social Care
Children	1	Children Services- Budget Management	Jane Thomas, Head of Finance Jan Cole, Head of Children Alison Bulman, Director of Social Care
Finance	1/2	Covid Grant - Fraud risks (c/f)	Jane Thomas, Head of Finance
Finance	1	Supply Chain Fraud	Jane Thomas, Head of Finance
Finance	1	Fraud Risk Maturity-Baseline Assessment	Jane Thomas, Head of Finance
Finance	1	Debtors – Control Risk Review	Jane Thomas, Head of Finance
Fraud	1/2	National Fraud Initiative Co-ordinator	Jane Thomas, Section 151 Officer
Schools	1	Brecon High school – Follow up	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Schools	1/2	Ysgol Calon Cymru	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Public Protection	1	Grant Certification – Public Protection – Estate Agents Grant	Nigel Brinn, Director of Economy, HTR and Digital Diane Reynolds, Head of Digital Services

Service	Quarter	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
Digital	1	Digital Information Records Management	Nigel Brinn, Director of HTR, Economy, Public Protection and Digital Diane Reynolds, Head of Digital Services
Schools	1/2	Primary Schools – Control Risk Self-Assessment	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
HTR	1/2	Resurfacing Processes in Highways	Nigel Brinn, Director of HTR, Economy, Public Protection and Digital Matt Perry, Head of HTR
Corporate	1/2	Action Tracking / Follow-Up	Caroline Turner, CEO
Schools	2	Grant Certification -Schools (EIG and PDG Grant)	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Social Care	2	WCCIS Contract Management	Alison Bulman, Director of Social Care Michael Gray, Head of Adult Social Care Jan Cole, Head of Children Services
Social Care	2	Continuing Health Care	Alison Bulman, Director of Social Care Michael Gray, Head of Adult Social Care Jan Cole, Head of Children Services
Housing & Community	3	Statutory Compliance – Housing (Deferred to Q3)	Nigel Brinn, Director of Economy, Highways, and Public Protection Nina Davies, Head of Housing and Community
Housing & Community	2	Grant Certification – Housing (Supporting People)	Nigel Brinn, Director of Economy, HTR, Public Protection, Housing and Digital Nina Davies, Head of Housing and Community
Corporate	2	Ordering Goods and Services	Jane Thomas, Head of Finance
Finance	2	Virement of Budgets	Jane Thomas, Head of Finance

Finance	2	Capital Programme	Jane Thomas, Head of Finance
Corporate	2	Contract Exemptions	Jane Thomas, Head of Finance
Adults	2	Contract Financial Resilience	Dylan Owen, Head of Adult Transformation Alison Bulman, Director of Social Care
Digital	2	ICT Risks Review	Diane Reynolds, Head of Digital Nigel Brinn, Director of Economy, HTR, Digital & PP
Schools	2	Funding Formula	Lynette Lovell, Head of Schools
Schools	2	Management/ Decision Making Information	Lynette Lovell, Head of Schools
Other Areas of Support			
Support	1	Audit Committee/ Working Group	N/A
Support	1	Audit Planning/ Performance reporting	N/A
Support	1	Liaison Groups (WAO/CWAG/ Aud Chairs)	N/A
Support	1	Audit Support (AGS, SLT Attendance)	N/A
Support	1	Audit Support (Service Heads Engagements)	N/A

Note that a piece of work at Llandinam Primary School is ongoing that wasn't originally in the agree work plan

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CYNGOR SIR POWYS COUNTY COUNCIL.

GOVERNANCE AND AUDIT COMMITTEE

30th July 2021

REPORT AUTHOR: Jane Thomas, Head of Finance

REPORT TITLE: Capital Programme Governance and Assurance

REPORT FOR: Decision / Discussion / Information

1. Purpose

- 1.1 The purpose of this report is to commission work to assist the Governance and Audit Committee in its review of the governance arrangements supporting the Councils Capital Programme and their effectiveness.

2. Background

- 2.1 The role of the Governance and Audit Committee is:-
- To review and scrutinise the authorities Financial Affairs.
 - To review and assess the risk management, internal control and corporate governance arrangements of the authority
 - To report and make recommendations to the authority on the adequacy and effectiveness of those arrangements
 - To monitor the effectiveness of the control environment, including arrangements to ensure value for money.
- 2.2 In fulfilling this role members of the Audit Committee supported by members of the Finance scrutiny panel and other scrutiny committees have expressed some concerns with regard to the Councils Capital Programme. These include the following:
- The specification and cost of some schemes
 - The rising costs of some schemes
 - The impact this has on the availability of funding for other schemes
 - Is the Councils making best use of its resources
 - The ongoing affordability of the Capital Programme
 - The processes and measures taken to control spend on projects
 - Assurance over value for money, both the arrangements to ensure value for money at the outset for a project and the progress in achieving value for money thereafter.
- 2.3 This report sets out some specific pieces of work that will assist the Committee in scrutinising the arrangements to seek assurance that the appropriate systems, controls and processes are in place to ensure that

all capital projects are considered, approved, procured and managed effectively and that value for money can be evidenced.

2.4 The work streams proposed are as follows:-

1. To have more detail on the governance framework in place and its effectiveness in considering Capital Schemes for approval and inclusion into the Capital Programme.
2. To better understand the considerations and appraisal of options as project specifications are agreed. How is the specification of projects determined, for example, if building passivhaus schemes is there evidence to support the benefits expected down the line?
3. To better understand the Welsh Government 5 case business model requirements for 21st Century Schools projects and to review a project submission.
4. What processes are in place to obtain assurance that the costs of a project are appropriate and demonstrate value for money. Including review of project costs, benchmarking/industry norms and where costs fall outside of expected norms an understanding of why our costs are different and the justification to support it.
5. To review Project Management arrangements – including project manager roles and skills, how projects are managed, how costs are monitored and controlled and how issues are escalated and dealt with. Both at a project level by third party project leads and by the Council as client.
6. How changes to the project are approved and how amendments and additions to the scope are constrained and managed.

2.5 It is proposed that these pieces of work are undertaken through the autumn and reports presented back to the Committee individually as the work is completed with the findings. The work will be carried out by officers supported by internal audit colleagues from SWAP.

3. Recommendation

3.1 The work detailed above in section 2.4 is commissioned by the Committee to be undertaken during the Autumn and presented back to Committee at the earliest opportunity.

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Head of Service: Jane Thomas, Head of Finance.

Corporate Director:

CYNGOR SIR POWYS COUNTY COUNCIL.

AUDIT COMMITTEE

30th July 2021

CABINET EXECUTIVE

21st September 2021

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance and Transport

REPORT TITLE: Treasury Management Quarter 1 Report

REPORT FOR: Information

1. Purpose

- 1.1 CIPFA's 2009 Treasury Management Bulletin suggested:
'In order to enshrine best practice, it is suggested that authorities report formally on treasury management activities at least twice a year and preferably quarterly.'

The CIPFA Code of Practice on Treasury Management emphasises a number of key areas including the following:

xi. Treasury management performance and policy setting should be subject to scrutiny prior to implementation.

- 1.2 In line with the above, this report is providing information on the activities for the quarter ending 30th June 2021.

2. Background

- 2.1 The Treasury Management Strategy approved by Full Council on 25th February 2021 can be found here.

<https://powys.moderngov.co.uk/documents/s57662/Appendix%20F%20Capital%20Strategy%20and%20Treasury%20Management%20Strategy.pdf>

- 2.2 The Authority's investment priorities within the Strategy are.

- (a) the security of capital and
- (b) the liquidity of its investments.

- 2.3 The Authority aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite has been low in order to give priority to security of investments.

- 2.4 With interest rates for investments remaining extremely low the use of cash reserves as opposed to borrowing is prudent and cost-effective.

3. Advice

3.1 Investments

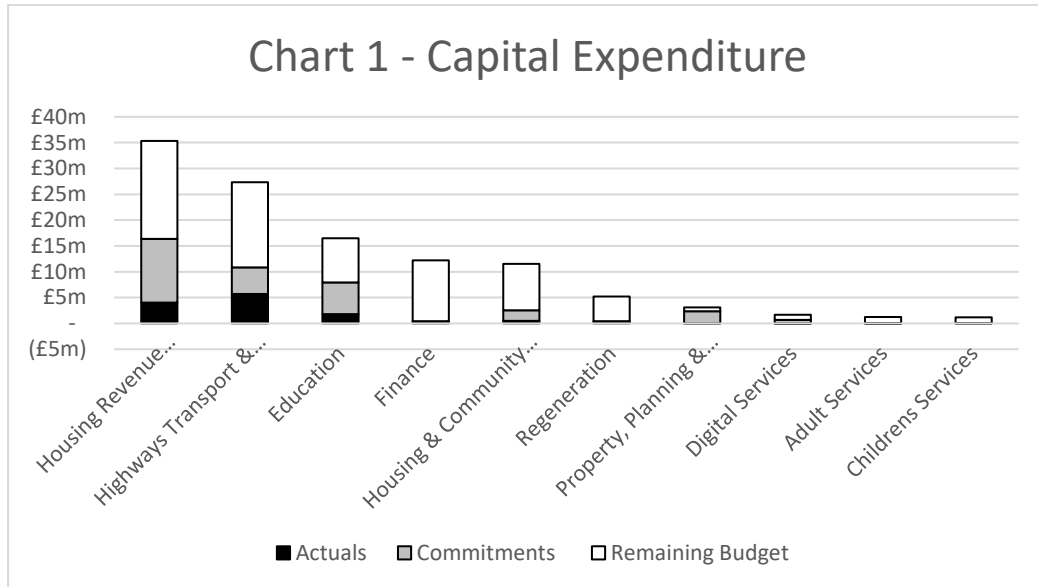
- 3.2 Short-term money market investment rates continue to remain just above zero as the Bank Rate remains at 0.10%. Given this environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon, investment returns are expected to remain low.
- 3.3 When looking at temporary investing, the Treasury team consider the bank fee to set up the arrangement, because of this cost some investments are not cost effective for very short periods of time where interest rates are circa 0.02% - 0.03%. However, the Authority does not have sufficient certainty around its cashflow to lend for longer periods where the return is higher. As a result, not all available cash is currently earning interest.
- 3.4 The Welsh Government repayable funding the council received in March 2021 towards the Global Centre of Rail Excellence (GCRE) is currently being held in the Council's deposit account until it is required for the project. It is earning a minimal return (0.02%) which under the terms of the funding is ringfenced to be used for this scheme.
- 3.5 The Authority had no other investments on 30th June 2021.

3.6 Credit Rating Changes

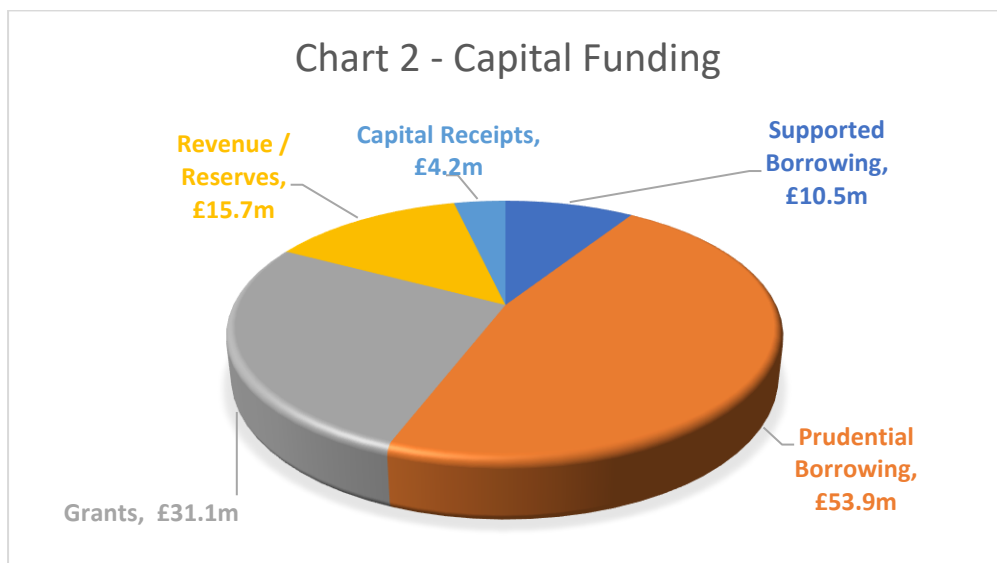
- 3.7 There have been no credit rating changes relevant to this Authority's position during the last quarter.

3.8 The Authority's Capital Position

- 3.9 The council approved the 2021 to 2031 Treasury Management and Capital Strategy on the 25th of February 2021. This included a Capital Programme for 2021/22 totalling £101.53 million.
- 3.10 The revised programme at the 30th of June 2021 has increased to £115.30 million following the successfully awarding of grants and the reprofiling of budgets between financial years. As part of the Capital Review, services are being challenged on their profile of spend in year, it is likely this forecast will reduce.
- 3.11 Actual spend to date amounts to £12.49 million, representing 11% of the total budget.
- 3.12 Chart 1 below summarises the spend against budget for each service.



3.13 Chart 2 below sets out how the 2021/22 capital programme is funded, 44% will be funded through borrowing, the interest cost for this is charged to the revenue account.



3.14 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. It represents the current year's unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

3.15 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the finance team organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans

and cash flow requirements. This may be sourced through external borrowing or utilising temporary cash resources within the Council.

- 3.16 Net external borrowing (borrowings less investments) should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years. This allows some flexibility for limited early borrowing for future years.

3.17 Capital Financing Requirement (CFR)

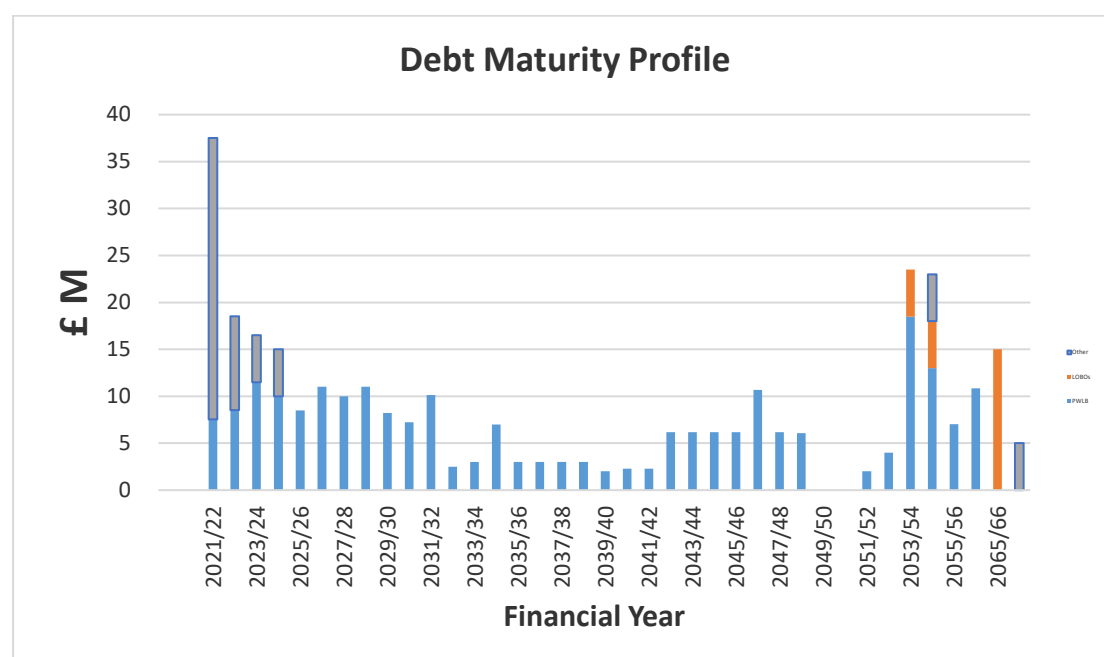
£'m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Original Estimates 25/02/2021	422.77	468.58	509.45	534.90
Updated 30/6/2021	397.10	436.96	460.03	480.61

- 3.18 The budget reprofiling into future financial years has reduced the CFR estimates as shown in the above table.

3.19 Borrowing / Re-scheduling

- 3.20 Effective management of the Authority's debt is essential to ensure that the impact of interest payable is minimised against our revenue accounts whilst maintaining prudent borrowing policies.
- 3.21 A prohibition is still in place to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. There are currently no schemes for yield in the Capital Programme. With the significant amounts of borrowing in the future Capital Programme, the inability to access PWLB borrowing will need to be a major consideration for any future purchases of assets for yield. The additional income these assets generate must be sufficient to cover the increased borrowing costs, as borrowing sources other than the PWLB are likely to be more expensive.
- 3.22 The Authority had outstanding long-term external debt of £347.7 million at 31st March 2021 (excluding the GCRE repayable funding). In relation to the CFR figure for 31st March 2021, this equated to the Authority being under borrowed by £49.4 million. Using cash reserves as opposed to borrowing has been a prudent and cost-effective approach over the last few years. However, members will be aware that internal borrowing is only a temporary situation and officers have advised that, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years.

3.23 Debt Maturity Profile as at 31st March 2021.



Key Blue = PWLB; Grey = Market Loans including other local authorities; Orange = LOBOs

3.24 £20 million of debt has been repaid in the first quarter of 2021/22. With a further £17 million of debt maturing in this year, it is unlikely that there will be sufficient resources to absorb this repayment so new borrowing will be required along with additional borrowing to fund the ongoing capital programme.

3.25 PWLB Loans Rescheduling

3.26 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

3.27 Financing Costs to Net Revenue Stream

3.28 This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the Councils net revenue budget (net revenue stream). The estimates of financing costs include current commitments and the proposals in the capital programme.

£'m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
From Treasury Management and Capital Strategy			
Financing Costs	13.59	16.55	17.61
Net Revenue Stream	280.66	281.26	282.17
%	4.84%	5.88%	6.24%
Quarter 1 estimates (before any over provision)			
Financing Costs	11.14	13.09	14.35
Net Revenue Stream	280.66	281.26	282.17
%	3.96%	4.65%	5.08%

3.29 The table above shows the change in the current estimates for the capital financing costs between those disclosed in the Treasury Management and Capital Strategy included as part of the 2021/22 Budget report and the updated estimates at the end of June 2021.

3.30 The decrease has been caused by two factors.

1. The updated Minimum Revenue Policy (MRP) approved by Council in March 2021 has realigned these costs more equally across the life of the assets involved.
2. The reduced borrowing requirement to support the capital programme in 2020/21 and future years. This has been the result of reprofiling of budgets into future years and funding from Welsh Government being made available earlier than anticipated. This has allowed the council to defer the date that it expected to take out additional borrowing, reducing the current interest costs, however this borrowing will still be required in the future.

3.31 A principal was set in both the 2021/22 Budget and the MRP Policy Report that any benefits from the MRP change are ringfenced to support the Capital Programme to ensure the Council is beginning to address its increasing capital financing costs. As such, an overprovision of MRP will be made in line with any surplus in the revenue budget allocated to MRP to help reduce the increasing Capital Financing Requirement. Further work is being undertaken as part of the Capital Review to understand the implications of the Capital Programme and any further capital ambitions of the council.

3.32 Prudential Indicators

3.33 All Treasury Management Prudential Indicators were complied with in the quarter ending 30th June 2021.

3.34 Economic Background and Forecasts

- 3.35 The most recent forecast of interest rates by the Authority's advisor are shown below, an increase in the rates is expected over the next few years which will increase the costs of borrowing.

	Sep 21	Dec 21	Mar 22	Sep 22	Mar 23	Mar 24
Bank rate	0.10	0.10	0.10	0.10	0.10	0.25
5yr PWLB	1.20	1.30	1.30	1.40	1.40	1.50
10yr PWLB	1.70	1.70	1.80	1.90	1.90	2.00
25yr PWLB	2.20	2.30	2.40	2.40	2.50	2.60
50yr PWLB	2.00	2.10	2.20	2.20	2.30	2.40

- 3.36 The economic background provided by our treasury advisers; Link Group is attached at Appendix A.

3.37 VAT

- 3.38 The Technical Section of Finance act as the authority's VAT section. VAT can pose a risk to the authority hence this report includes VAT information.
- 3.39 The monthly VAT returns were submitted within the required deadlines during this quarter.
- 3.40 Key Performance Indicators - The VAT KPI's for 2021/22 are attached at Appendix B.

4. Resource Implications

- 4.1 N/A

5. Legal implications

- 5.1 N/A

6. Data Protection

- 6.1 N/A

7. Comment from local member(s)

- 7.1 N/A

8. Impact Assessment

- 8.1 N/A

9. Recommendation

9.1 This report has been provided for information and there are no decisions required. It is recommended that this report be accepted.

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Head of Service:	Jane Thomas

CABINET REPORT NEW TEMPLATE VERSION 3

Appendix A

Economic Background

UK. The 24 June Monetary Policy Committee meeting voted unanimously to keep Bank Rate unchanged at 0.10%. They voted by a majority of 8-1 to continue unchanged the existing programme of UK government bond purchases of £875bn which is due to end by the end of this year. In the press release, it was noted that: -

“Since May, developments in global GDP growth have been somewhat stronger than anticipated, particularly in advanced economies. Global price pressures have picked up further, reflecting strong demand for goods, rising commodity prices, supply-side constraints, and transportation bottlenecks, and these have started to become apparent in consumer price inflation in some advanced economies. Financial market measures of inflation expectations suggest that the near-term strength in inflation is expected to be transitory”.

The MPC noted the developing upside risks in the UK to both activity and inflation. It said that the news on activity “had predominately been to the upside” and that Bank staff had “revised up their expectations for 2021 Q2 GDP growth to 5½% from 4¼%”. For the first time, the policy statement noted that “there are increasing signs of recruitment difficulties for some businesses” and the minutes said, “it was possible that the near-term upward pressure on prices could prove somewhat larger than expected”. Indeed, by saying that inflation “is likely to exceed 3% for a temporary period” the MPC admitted the Governor will have to write to the Chancellor later this year explaining why inflation is more than 1% above the 2% target.

But the key point is that the MPC still appears willing to ride out the **inevitable spike in inflation** over the next six months as it thinks it will be short-lived and caused by one-off reopening price rises and supply shortages relative to demand - boosted by consumers having built up huge savings of around £145bn during lockdown. These spikes will drop out of the CPI calculation over the next twelve months. The forward guidance in the policy statement designed to demonstrate the MPC’s patience was left intact, and the emphasis remained on “the medium-term prospects for inflation” rather than factors that are “likely to be transient”. The minutes said the MPC should “ensure that the recovery was not undermined by a premature tightening in monetary conditions”. It also repeated that it will not raise Bank Rate until the 2% inflation target has been attained sustainably i.e., the mere fact that it is forecasting inflation to be over 2% during 2021 and 2022 is not in itself sufficient to justify an increase in Bank Rate in the near future. The MPC indicated in the minutes that some members would prefer to wait for a clearer picture of the underlying pace of the recovery once the furlough scheme expires at the end of September, before making any judgement on medium-term inflationary pressures. This implies that the MPC may be unlikely to be in a position to consider a change in policy until early in 2022 at the earliest.

In addition, the Bank is undertaking a review of its stated current policy to raise Bank Rate first before **unwinding quantitative easing** (QE) purchases of gilts. Indeed, it now appears to be likely that the Bank could unwind QE first before raising Bank Rate as it sees QE as a very useful quick acting weapon to use to combat any sudden dysfunction in financial markets, as happened in March 2020. However, it is currently nearly maxed out on the total level of QE. Unwinding QE first would cause short term gilt yields to remain anchored at low levels and medium and long term gilt yields to steepen. Money markets are currently expecting Bank Rate to start rising in mid-2022 but they are probably being too heavily influenced by looking across the Atlantic where inflationary pressures are much stronger than in the UK and building up further under a major boost from huge Federal government stimulus packages. Overall, there could be only a minimal increase in **Bank Rate** in 2023 or possibly no increases before 2024.

GDP. The Bank revised up its expectations for the level of UK GDP in 2021 Q2 by around 1½% since the May Report due to the easing of restrictions on economic activity; this now leaves total GDP in June only around 2½% below its pre-Covid 2019 Q4 level. UK GDP grew by 1.5% in the three months to April 2021: this was the first expansion since the three months to December 2020. Forward looking monthly business surveys are running at exceptionally high levels indicating that we are heading into a strong economic recovery. Capital Economics do not think that the UK economy will suffer major scarring from the lockdowns. The one month delay to the final easing of restrictions in July is unlikely to have much effect on the progress of recovery with GDP getting back to pre-Covid levels during August.

CPI. The annual inflation rate in the United Kingdom rose to 2.1% y/y in May from 1.5% y/y in April: this is the first time that the measure has been above the Bank of England's 2% target since July 2019.

COVID-19 vaccines. These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the second half of 2021** after a third wave of the virus threatened to overwhelm hospitals in Q1 this year. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel, and hotels. The UK has made fast progress, giving both jabs to nearly half of the total population and one jab to two thirds, (84% of all adults). This programme should be completed in the second half of the year. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

US. Since the Democrats won the elections in late 2020 and gained control of both Congress and the Senate, (although power is more limited in the latter), they have passed a \$1.9trn (8.8% of GDP) stimulus package in March 2021 on top of the \$900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100

days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats are also now negotiating to pass a \$1trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.

After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation had been under-shooting the 2% target significantly for most of the last decade, so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after that meeting. There is now some expectation that where the Fed has led in changing its policy towards implementing its inflation and full employment mandate, other major central banks will follow by allowing inflation to run higher for longer, even if they do not call it a policy of average inflation targeting as such.

In the **Fed's June meeting**, it stuck to its line that it expects strong economic growth this year to have only a transitory impact on inflation which is being temporarily boosted by base effects, spikes in reopening inflation and supply shortages. The big surprise was the extent of the upward shift in the "dot plot" of interest rate projections: having previously expected no hikes until 2024 at the earliest, most officials now anticipate two in 2023, with 7 out of 18 expecting to raise rates next year. This was a first indication that there was rising concern about the risks around inflationary pressures building up on a more ongoing basis and is somewhat hard to reconcile to the words around inflation pressures being only transitory.

Treasury yields in the US ought to rise much more strongly than gilt yields in the UK due to the divergence in the levels of inflationary pressures and the levels of surplus capacity currently in both economies, (the US is much nearer full capacity than the UK). Bond investor sentiment could lean in the direction that even if central banks refrain from raising central rates in the short term, all they are doing is setting up sharper increases further down the line. This is likely to cause increases in longer-term bond yields without any actual increases in central rates. There will then be a question as to how strong an influence rising treasury yields will have on gilt yields. Due to the divergence between the US and UK economies, it is expected that the Fed rate will need to increase first before Bank Rate and that there could be a significant delay before the Bank of England follows suit.

EU. Both the roll out and take up of vaccines was disappointingly slow in the EU in the first few months of 2021 but has since been rapidly catching up. This delay will inevitably put back economic recovery after the economy had staged

a rapid rebound from the first lockdowns in Q3 of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. After contracting by another 0.3% in Q1 of 2021, recovery will now be delayed until Q3 of 2021. At its June meeting, the ECB forecast strong economic recovery with growth of 4.6% and 4.7% in 2021 and 2022 respectively.

Inflation is likely to rise sharply to around 2.5% during 2021 for a short period, but as this will be transitory, due to one-off factors, it will cause the ECB little concern. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December 2020 meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The total PEPP scheme of €1,850bn of QE, which started in March 2020, is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, **unlikely to be a euro crisis** while the ECB maintains this level of support. The March ECB meeting also took action to suppress the rise in long bond yields by stepping up its monthly PEPP purchases. Meetings in April and June confirmed these policies so monetary policy will remain highly accommodative with no sign yet of tapering of asset purchases.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of 2020; this enabled China to recover all the contraction in Q1 2021. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. After making a rapid recovery in 2020/21, growth is likely to be tepid in 2021/22.

Japan. A third round of fiscal stimulus in December 2020 took total fresh fiscal spending in 2020 in response to the virus close to 12% of pre-virus GDP. That is huge by past standards, and one of the largest national fiscal responses. The resurgence of Covid in Q1 2021, coupled with a slow roll out of vaccines, has pushed back economic recovery. However, quickening of vaccinations in the second half of 2021 will lead to a strong economic recovery to get back to pre-virus levels by the end of 2021 – around the same time as the US and sooner than the Eurozone.

World growth. World growth was in recession in 2020 but should recover during 2021. Inflation is unlikely to be a significant problem in most countries for some years due to the creation of excess production capacity and depressed demand during the coronavirus crisis.

Impact on gilt yields and PWLB rates in 2021. Since the start of 2021 gilt yields and PWLB rates have risen sharply. What has unsettled financial markets has been a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic, in addition to the \$900bn support package passed in December. Financial markets have been

concerned that the two packages, on top of the Fed already stimulating the economy by cutting the Fed rate to near zero and unleashing massive QE, could cause an excess of demand in the economy which **unleashes strong inflationary pressures**; these could then force the FOMC to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation and saying that increases were unlikely in the next few years.

A further concern in financial markets is **when will the Fed end quantitative easing (QE) purchases of treasuries** and how they will gradually wind it down. These ongoing monthly purchases are currently acting as downward pressure on treasury yields. Nonetheless, during late February and in March, yields rose sharply. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards there will invariably impact and influence financial markets in other countries. It is noticeable that gilt yields moved higher after the MPC meeting in early February because of both developments in the US, and financial markets also expecting a **similarly rapid recovery of the UK economy as in the US**; both countries were expected to make similarly rapid progress with vaccinating their citizens and easing Covid restrictions. They are, therefore, expecting inflation to also increase more quickly in the UK and cause the MPC to respond by raising Bank Rate more quickly than had previously been expected.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e., countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. In March 2021, western democracies implemented limited sanctions against a few officials in charge of government policy on the Uighurs in Xinjiang; this led to a much bigger retaliation by China which caused considerable consternation in western countries. After the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products and vice versa. This is likely to reduce world growth rates from rates in prior decades.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is, therefore, very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. The Fed has changed its policy on inflation to targeting an average level of inflation. Greater emphasis will also be placed on hitting

subsidiary targets e.g., full employment, before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

Appendix B

VAT - Key Performance Indicators

Creditor Invoices

VAT return for	No of high value Creditor invoices checked	No of Creditor invoices highlighted as requiring "proper" document for VAT recovery	% of creditor invoices checked requiring "proper" document for VAT recovery
Apr-21	205	0	0.00%
May-21	209	1	0.48%
Jun-21	286	1	0.35%
Jul-21			
Aug-21			
Sep-21			
Oct-21			
Nov-21			
Dec-21			
Jan-22			
Feb-22			
Mar-22			

Income Management Entries

VAT return for	No of entries checked by formula per the ledger account code used	No of entries needing follow up check (but not necessarily incorrect).	% of entries needing follow up check
Apr-21	697	0	0.00%
May-21	847	2	0.24%
Jun-21	972	4	0.41%
Jul-21			
Aug-21			
Sep-21			
Oct-21			
Nov-21			
Dec-21			
Jan-22			
Feb-22			
Mar-22			

Debtor Invoices

VAT return for	No of Debtor invoices checked	No of checked debtor invoices with incorrect VAT code used	% of debtor invoices with incorrect VAT code
Apr-21	88	0	0.00%
May-21	82	0	0.00%
Jun-21	86	0	0.00%
Jul-21			
Aug-21			
Sep-21			
Oct-21			
Nov-21			
Dec-21			
Jan-22			
Feb-22			
Mar-22			

Note: Debtors VAT checking is carried out by Finance via a work process prior to the invoice being raised hence the improvement in errors compared to previous years

Purchase Cards

VAT return for	No of transactions for which paperwork requested for checking	Resolvable errors discovered	Value of VAT potentially claimable but recharged to budget due to non- response	No of transactions where VAT claimed incorrectly	% of transactions available to be checked where VAT was claimed incorrectly	Value of VAT incorrectly claimed hence recharged to budget
Apr-21	193	15	£2,000.55	14	7.25%	£555.26
May-21	144	5	£1,165.80	16	11.11%	£849.52
Jun-21	153	5	£1,083.04	28	18.30%	£726.18
Jul-21						
Aug-21						
Sep-21						
Oct-21						
Nov-21						
Dec-21						
Jan-22						
Feb-22						
Mar-22						

Chargebacks to service areas

The upload of appropriate documents to the Barclaycard purchase card system to enable vat recovery was made mandatory in September 2017 as a result of the lack of response from service areas/establishments to provide documents when requested. Where no document has been uploaded, any VAT amount input against the transaction is charged to the service area as there is no evidence to support the vat recovery.

Any other VAT errors that come to light as a result of the various checks are also charged to the relevant service areas.

Budget holders are able to see this clearly as chargebacks are coded to account code EX400600 and the activity code used alongside this gives the reason why this chargeback has occurred.

The total amount charged back to service areas in 2021/22 to end of June is £33,947.74. The breakdown of this is as follows:

Potentially correctable errors

Reason	Amount £
Not a tax invoice	731.31
Powys County Council is not the named customer	0
No invoice uploaded to purchase card system	25,790.64
Invoice(s) do not match payment	3,518.08
No evidence to back recovery	0
Total	30,040.03

Other errors

Reason	Amount £
Non-domestic VAT	7.24
No tax on invoice	982.96
Supply not to Powys County Council	1,767.06
Over-accounting for VAT	1,132.61
Internal payments	17.84
Total	3,907.71

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	Governance and Audit Committee Work Programme	
2021		
23/07/21	Seminar - draft statement of accounts	
30/07/21	Strategic Risk Management - Q1	
	Strategic Risk - Health and Care Workforce Development	
	Strategic Risk - Brexit	
	Internal Audit - Performance Monitoring Q1	
	Internal Audit - work plan Q2	
	Annual Audit Opinion	
	Internal Audit Report - Children's Budget Management	defer t
	Internal Audit Report - Y Gaer	defer t
	Audit Wales - Workplan	
	Treasury Management Q1	
	Fraud	
13/09/21	Internal Audit Report - Ysgol Calon Cymru	
	Internal Audit Report - Highways	
	Internal Audit Report - Covid Business Grants	
29/09/21	Statement of Accounts and Annual Governance Statement	
05/11/21	Pension Fund Accounts	
	Strategic Risk Management - Q2	
	Internal Audit Performance monitoring - Q2	
	Internal Audit Work Plan - Q3	
	Fraud	
	Closure of Accounts	

