

A meeting of the
WECA Audit Committee

will be held on

Date: Tuesday, 25 June 2019

Time: 1.00 pm

Place: The Library, City Hall, Bristol City Council Offices

Notice of this meeting is given to members of the West of England Audit Committee as follows

Cllr Donald Alexander, Bristol City Council
Cllr Brian Allinson, South Gloucestershire Council
Cllr John Ashe, South Gloucestershire Council
Cllr Mark Bradshaw, Bristol City Council
Cllr Tom Davies, Bath and North East Somerset Council
Cllr Geoff Gollop, Bristol City Council
Cllr Tim Kent, Bristol City Council
Cllr Cleo Lake, Bristol City Council
Cllr Brenda Massey, Bristol City Council
Cllr John O'Neill, South Gloucestershire Council
Cllr Andy Wait, Bath and North East Somerset Council

Enquiries to:

West of England Combined Authority Office
Rivergate 3
Temple Way
Bristol, BS1 6ER
Email: democratic.services@westofengland-ca.gov.uk
Tel: 01174286210

West of England Combined Authority Committee Agenda

YOU HAVE THE RIGHT TO:-

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- Inspect agendas and public reports five days before the date of the meeting
- Inspect agendas, reports and minutes of the WECA and all WECA Committees and Sub-Committees for up to six years following a meeting.
- Inspect background papers used to prepare public reports for a period public reports for a period of up to four years from the date of the meeting. (A list of background papers to a report is given at the end of each report.) A background paper is a document on which the officer has relied in writing the report.
- Have access to the public register of names, addresses and wards of all Councillors sitting on WECA, Committees and Sub-Committees with details of the membership of all Committees and Sub-Committees.
- Have a reasonable number of copies of agendas and reports (relating to items to be considered in public) made available to the public attending meetings of WECA, Committees and Sub-Committees
- Have access to a list setting out the decisions making powers the WECA has delegated to their officers and the title of those officers.
- Copy any of the documents mentioned above to which you have a right of access. There is a charge of 15p for each side of A4, subject to a minimum charge of £4.
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OTHER LANGUAGES AND FORMATS

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Please phone 0117 42 86210**

Guidance for press and public attending this meeting

The Openness of Local Government Bodies Regulations 2014 mean that any member of the public or press attending this meeting may take photographs, film or audio record proceedings and may report on the meeting including by use of social media (oral commentary is not permitted during the meeting as it would be disruptive). This will apply to the whole of the meeting except where there are confidential or exempt items, which may need to be considered in the absence of the press or public.

If you intend to film or audio record this meeting please contact the Democratic Services Officer named on the front of the agenda papers beforehand, so that all necessary arrangements can be made.

Some of our meetings are webcast. By entering the meeting room and using the public seating areas you are consenting to being filmed, photographed or recorded. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

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To comply with the Data Protection Act 2018, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

1. EVACUATION PROCEDURE

In the event of a fire, please await direction from the West of England Combined Authority staff who will help assist with the evacuation. Please do not return to the building until instructed to do so by the fire warden(s).

2. MEMBERSHIP OF COMMITTEE - TO NOTE

The Membership of the Committee is printed on the front sheet of the agenda and Members are asked to note the membership for 2019/20.

3. ELECTION OF CHAIR

The Committee to elect a Chair for municipal year 2019/20.

4. ELECTION OF VICE-CHAIR

Having elected a Chair, the Committee to elect a Vice-Chair for municipal year 2019/20.

5. APOLOGIES FOR ABSENCE

To receive apologies for absence from Members.

6. DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011

Members who consider that they have an interest to declare are asked to: a) State the item number in which they have an interest, b) The nature of the interest, c) Whether the interest is a disclosable pecuniary interest, non-disclosable pecuniary interest or non-pecuniary interest. Any Member who is unsure about the above should seek advice from the Monitoring Officer prior to the meeting in order to expedite matters at the meeting itself.

7. COMMITTEE TERMS OF REFERENCE - TO NOTE

5 - 6

The Audit Committee's Terms of Reference to be noted.

8. MINUTES OF PREVIOUS MEETING - TO CONFIRM AS A CORRECT RECORD

7 - 12

To consider and approve the minutes from 21 February 2019 of the West of England Combined Authority Audit Committee.

9. ITEMS FROM THE PUBLIC

Members of the public can speak for up to 3 minutes each. The total time for this session is 30 minutes so speaking time will be reduced if more than 10 people wish to speak.

*If you wish to present a petition or make a statement and speak at the meeting, you are required to give notice of your intention by noon on the working day before the meeting by e-mail to democratic.services@westofengland-ca.gov.uk. For this meeting, this means that your submission must be received in this office by **12noon on Monday 24 June 2019**.*

*If you wish to ask a question at the meeting, you are required to submit the question in writing to democratic.services@westofengland-ca.gov.uk no later than 3 working days before the meeting. For this meeting, this means that your question(s) must be received in this office by **5pm on Wednesday 19 June 2019**.*

10. PETITIONS

Any member of the public in the West of England Combined Authority may present a petition at a West of England Combined Authority Audit Meeting.

11. EXTERNAL AUDIT PROGRESS REPORT 13 - 40

Grant Thornton is the appointed external auditor for the West of England Combined Authority. Their audit plans, progress on delivery, key findings and recommendations and scale of fees are reported periodically to the audit committee.

12. INTERNAL AUDIT ANNUAL REPORT 18/19 41 - 48

This is the Annual Report of the Internal Audit function detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

13. INTERNAL AUDIT PLAN 19/20 49 - 66

To present the Internal Audit Plan for 2019/20 for approval.

14. COUNTER FRAUD STRATEGY 67 - 84

The West of England Combined Authority, (WECA), is regularly reviewing and enhancing its corporate governance arrangements. In response to a recommendation by Internal Audit, we are proposing that the Audit Committee endorse the adoption of a Counter Fraud Strategy as detailed as Appendix 1 to this report.

15. DATES OF FUTURE MEETINGS

Audit Committee meets four times a year.

The next meeting is scheduled for 10am on Wednesday 31 July 2019.

Members are asked to agree the other meeting dates for 2019/20. Suggested for November 2019 and February 2020.

Next meeting: Wednesday, 31 July 2019

The West of England Combined Authority Audit Committee

The functions of the audit committee shall include:

- (i) reviewing and scrutinising the authority's financial affairs;
- (ii) reviewing and assessing the authority's risk management, internal control and corporate governance arrangements;
- (iii) reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions; and
- (iv) making reports and recommendations to the Combined Authority in relation to the reviews they have conducted.
- (v) To consider and approve the Annual Statutory Accounts

Save for the provision in Section A – Standing Orders (Descriptions and Rules of Procedure), that can only apply to a meeting of the West of England Combined Authority, the rules of procedure will apply to meetings of the Audit Committee.

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Agenda Item 8

West of England Combined Authority WECA Audit Committee

Thursday, 21 February 2019, 10am
The Board Room, WECA Offices, 3 Rivergate, Temple Quay, Bristol BS1 6ER
3 Rivergate, Bristol BS1 6ER

Present:

Cllr Geoff Gollop, Bristol City Council	Cllr Harriet Bradley, Bristol City Council
Cllr Will Sandry, Bath & North-East Somerset Council	Cllr Charlie Bolton, Bristol City Council
Cllr Brian Simmons, Bath & North-East Somerset Council	Cllr Liz Radford, Bristol City Council
Cllr Brenda Massey, Bristol City Council	Cllr John O'Neill, South Gloucestershire Council
Cllr Donald Alexander, Bristol City Council	

Officers In Attendance:

Mark Angus, Financial Services Manager	Tim Milgate, Democratic Services
Jeff Wring, Audit West (Internal Audit)	

External Auditors in Attendance:

Michelle Burge, Engagement Manager, Grant Thornton	Barrie Morris, Engagement Lead, Grant Thornton
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Apologies:

Cllr John Ashe, South Gloucestershire Council	Cllr Roger Avenin, South Gloucestershire Council
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Minutes

1	EVACUATION PROCEDURE The Chair, Councillor Geoff Gollop, welcomed everybody to the meeting and the evacuation procedure was set out.		
2	APOLOGIES FOR ABSENCE Apologies for absence were received from Councillors John Ashe and Councillor Roger Avenin.		
3	DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011 There were no declarations of interest declared under the Localism Act 2011.		
4	MINUTES OF THE PREVIOUS MEETING The minutes of the meeting held on 8 November 2018 were agreed as a correct record and signed by the Chair.		
5	ITEMS FROM THE PUBLIC (PETITIONS; STATEMENTS; QUESTIONS) There were two statements submitted by members of the public as follows: <table border="1"><tbody><tr><td>1</td><td>David Redgewell Public funding for bus services</td></tr></tbody></table>	1	David Redgewell Public funding for bus services
1	David Redgewell Public funding for bus services		

	<p>2 Christina Biggs, Friends of Suburban Bristol Railways and Transport for Greater Bristol Alliance</p> <p>Mr Dave Redgewell was in attendance and addressed the meeting accordingly. Full copies of the statements received were made available on the Authority's website following the meeting.</p>
6	<p>INTERNAL AUDIT UPDATE</p> <p>Jeff Wring, Audit West (the Authority's internal auditors) presented a report updating the Committee on Internal Audit work in 2018/19 and setting out the latest position of the Reasonable Assurance Model.</p> <p>The Committee had considered the proposed Audit Plan at its meeting in April 2018. This was attached for information at Appendix 1. The table in section 4.5 of the report summarised the status of work as either completed, planned or work in progress. None of these items scored in level 1 or 2 (weak or poor). There were currently no areas or issues of concern.</p> <p>An update on the work undertaken on the eight themes in the Authority's 'Reasonable Assurance Model' was given at the meeting via a presentation. The presentation was made available on the Authority's website following the meeting.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • It was queried whether WECA spoke to other Combined Authorities on the benchmarking exercise. The reply was that they did although not all had the same level of experience; • It was asked what the capacity was within the procurement team. It was stated that there was one primary officer who worked closely with framework officers from the other Unitary Authorities; • Bath and North East Somerset had given notice that they would no longer be providing IT support to the organisation. Although there was a level of risk involved in changing providers it was felt that there was also an opportunity in finding a supplier who could provide the appropriate IT function. The position on the risk matrix would be kept under review; • Jeff stated that the work helped form an opinion on whether things were under control and this was his formal opinion on that. The ideal position was not everything be low risk but managing the risks correctly; • It was very difficult to capture whether the Authority had failed to capture any funding or project opportunities and there was both a role for being proactive and reactive. Jeff's job was to try to provide an independent view of the Authority's position; • The Committee felt that it should explore the possibility of attending meetings of the WECA Overview & Scrutiny Committee to get a better overall picture and 'dialling in' if necessary (venue facilities allowing). It was felt a more intense scrutiny of the accounts was needed. It was asked whether this could form part of the induction for new members following the elections in May 2019. <p>It was anticipated internal audit planned work would be completed by March 2019 and an update report would be brought to the next meeting. The full audit reports are available from Jeff Wring on request.</p> <p>Resolved: That the report be noted.</p>
7	<p>EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 MARCH 2019</p>

	<p>The External Auditor, Grant Thornton, provided the External Audit Plan for 2018/19 for consideration. Barrie Morris, Engagement Lead (Grant Thornton), attended the meeting and gave a full briefing on the plan.</p> <p>The External Audit Plan provided an overview of the planned scope and timing of the statutory audit of the West of England Combined Authority for consideration by the Audit Committee. The plan set out the Audit approach in relation to significant risks, materiality, value for money arrangements, audit logistics and independence.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • The 'materiality' figure had been raised to 2% this year from 1% last year. There would also be investigations into any figures out by more than £49,000 as a result of the testing; • The early work would be undertaken in March 2019. The final accounts would be signed-off in July 2019. As GT would also sign off Bath and North East Somerset's accounts, it would make sense to do both at once as the two authorities shared some of the same systems. However, this meant that the scheduling of the July 2019 Audit Committee meeting would have to be carefully managed; • As there had been a high profile case in the news media recently it was enquired as to whether the company could offer assurances as to the robustness of the audit industry. Barrie stated that the case had opened a debate on the expectations of auditors. Although things did sometimes go wrong the industry sought to learn from each of these. There had been a recent run of very good reviews on public sector organisations. Each auditor was personally liable for their actions; • It was asked what would happen if the firm had requested access to information but did not get a satisfactory response. Barrie replied that the firm could refuse to sign off the accounts. Last year 85% of local authorities were signed-off and 15% had queries. Although there was a deadline sign-off would not occur until the firm was satisfied. Any problems would be report to the Chair and a full report would be brought to Audit Committee. The auditors were entitled to access to all documents by law and any wilful obstruction could constitute a criminal offence. <p>Resolved: That the External Audit Plan for 2018/19 be noted.</p>
8	<p>EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE 2018/19</p> <p>The Audit Committee were requested to consider and note the External Audit Progress Report and Sector Update attached as an appendix to the cover report. The appendix also provided references to a number of national initiatives, announcements and publications of potential interest to the Committee provided by Michelle Burge, Engagement Manager, Grant Thornton (the Authority's External Auditors) provided a general update to the Committee.</p> <p>The appendix set out the progress as at February 2019 but the bulk of the work on the interim audit would begin in March 2019. Any findings from the interim audit would be reported to the Committee in the auditor's Progress Report at the meeting on 11 April 2019.</p> <p>Resolved: That the Progress Report and Sector Update be noted.</p>
9	<p>WECA TREASURY MANAGEMENT MID-YEAR REVIEW 2018/19</p> <p>Mark Angus introduced a report reviewing the mid-year report for Treasury Management performance for 2018/19. It was noted that the CIPFA Treasury Management in the Public Services Code of Practice required the authority to approve a Treasury Management Strategy</p>

	<p>before the start of each financial year, review the performance during the year, and approve the annual report after the end of each financial year. This report provided a review of performance to 30 September 2018.</p> <p>The Authority's Prudential Indicators for 2018/19 were agreed by the WECA Committee at its revised meeting on 15 February 2018 and performances against the key indicators were shown in Appendix 1. All the indicators were within target levels.</p> <p>The Authority's investment position as at 30 September 2018 was set out in Appendix 2. This showed a change in Investment Balances to £198.2m at 30 September 2018 down from £203.3m at 30 June 2018 which reflected net payments made.</p> <p>The Authority currently has no External Borrowing as at 30 September 2018 as shown in Appendix 4. Appendix 5 showed the Authority's treasury management advisors' economic and market review for 2018/19. A breakdown of the revenue budget for interest and the year-end outturn position was included in Appendix 6. A summary guide to Credit Ratings was set out in Appendix 7.</p> <p>A short summary presentation was given at the meeting which was subsequently made available on the Authority's website.</p> <p>The following points were made:</p> <ul style="list-style-type: none"> • It was asked whether further information could be shown regarding which organisations the major investments were with. It was stated that all investments were made in line with the approved Treasury Management Strategy and the Authority was predominantly investing with other local Authorities and UK banks and building societies. <p>Resolved:</p> <p>(1) That the Treasury Management report to 30 September 2018, prepared in accordance with the CIPFA Treasury Code of Practice be noted;</p> <p>(2) That the Treasury Management Indicators to 30 September 2018 be noted.</p>
10	<p>WECA TREASURY MANAGEMENT STRATEGY 2019/20</p> <p>Mark Angus introduced a report asking the Committee to consider the Treasury Management Strategy for 2019/20. The Authority was required to produce such a strategy in accordance with CIPFA Treasury Management in Public Services Code of Practice 2011. The Treasury Management Strategy for 2019/20 was appended to the report at Appendix 1.</p> <p>A short accompanying presentation was given at the meeting and this was subsequently made available on the Authority's website.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • Treasury Management decisions were delegated to the Authority's S151 officer who reports to the Audit Committee; • A query was raised as to what would happen if the base rate fell further, maybe to a negative value. It was noted that although this would be unlikely it would mean that the government would be trying to stimulate spending. Any major variants would be reported to the Audit Committee and/or WECA Committee as appropriate; • It was also queried as to why the Authority was making long term investments at all

	<p>when the funds should be being spent rather than accumulated. Mark Angus stated that this did not harm the Authority's ability to invest in projects but reflects the timing of grant funding being received from government in advance of the need to incur actual spend;</p> <ul style="list-style-type: none"> • There was no current policy on ethical investment although it was reiterated that the majority of investments were with local authorities and only a limited number with commercial organisations; • Treasury Management would be wholly in-house from 1 April 2019 and the team was looking to increase its workforce capacity within current budget; • There was no derivatives trading unless this was embedded in pooled funds; <p>Resolved: That the 2019/20 WECA Treasury Management Strategy Statement be endorsed.</p>
	<p>The next meeting would be held on Thursday, 11 April 2019, 10.00 am. The venue would be confirmed.</p> <p>There would be a meeting of Audit Committee towards the end of July 2019 on a date to be confirmed.</p>

The meeting closed at 12:30pm.

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ITEM: 11

REPORT TO: AUDIT COMMITTEE

DATE: 25 JUNE 2019

REPORT TITLE: EXTERNAL AUDIT PROGRESS REPORT

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT &
CORPORATE SERVICES (s73 OFFICER)**

AUTHOR: MALCOLM COE

Purpose of Report

- 1 Grant Thornton is the appointed external auditor for the West of England Combined Authority. Their audit plans, progress on delivery, key findings and recommendations and scale of fees are reported periodically to the audit committee.

Recommendation

- To note the updates provided from the external auditor.

Background / Issues for Consideration

- 2 The External Auditor has provided the following items appended to this report to update the Committee on:
 - i. Appendix 1 – progress report and sector update
 - ii. Appendix 2 – fees letter 2019/20
 - iii. Appendix 3 – IAS 240 letter and Audit Chair response

- 2.1 The External Auditor will provide a full briefing on these items at the meeting

Consultation

- 3 The External Audit plan for 2018/19 and 2019/20 was produced in consultation with the WECA s73 Officer and the appointed internal audit provider (Audit West).

Risk Management/Assessment

- 4 An effective external, and internal, audit function is crucial in securing strong corporate governance arrangements and managing organisational risk.

Public Sector Equality Duties

- 5 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

- 5.1 The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

- 5.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

- 5.3 There are no direct implications arising from this report.

Finance Implications, including economic impact assessment where appropriate:

- 6 The External Audit work supports the statutory audit requirements for the Annual Accounts and the fee for this work is agreed by Public Sector Auditor Appointments Ltd. The specific fee proposals for 2019/20 external audit work is included in the update provided.

Advice given by: Malcolm Coe

Legal Implications:

- 7 The report is in accordance with the Accounts and Audit (England) Regulations 2011.

Advice given by: Shahzia Daya, Director of Legal Services

Human Resources Implications:

- 8 There are no direct implications arising from this report.

Advice given by: Head of Human Resources

Appendices:

List any appendices to the report:

Appendix 1 – Progress report and sector update

Appendix 2 – Fees letter 2019/20

Appendix 3 - IAS 240 letter and Audit Chair response

Background papers:

None

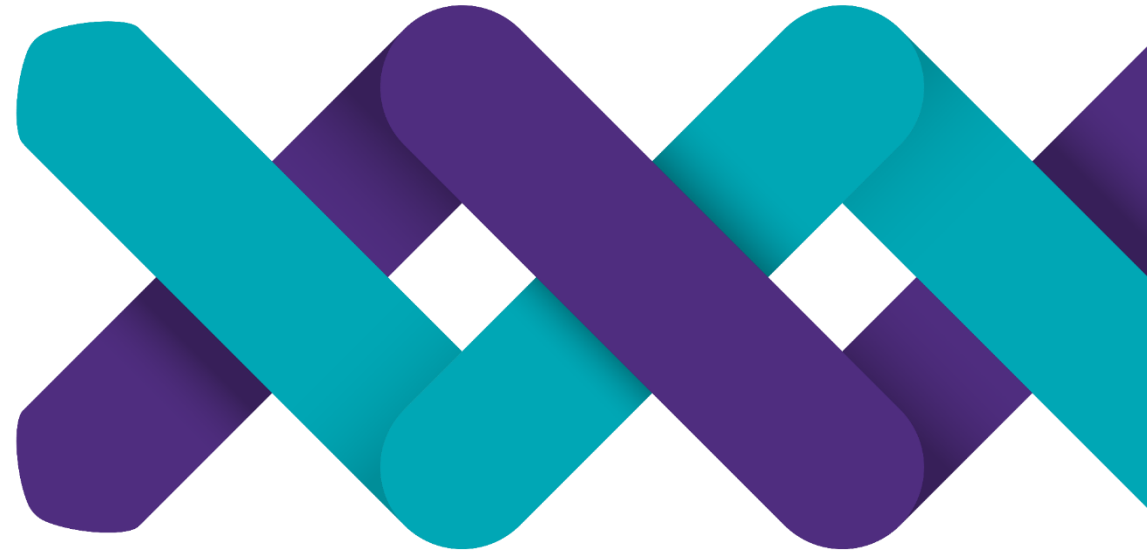
West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 456 6982; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

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Audit Progress Report and Sector Update

West of England Combined Authority
Year ending 31 March 2019
Page 17 June 2019



Contents

Section	Page
Introduction	3
Progress at 11 June 2019	4
Audit Deliverables	5
Sector Update	6
Links	8

Introduction



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Page 19



Michelle Burge

Engagement Manager

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes emerging national issues and developments that may be relevant to you as a combined authority.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

PSAA Contract Monitoring

The West of England Combined Authority opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress at 11 June 2019

Page 20

Financial Statements Audit

We have undertaken planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2018/19 financial statements.

We commenced our interim audit in March 2019. Our interim fieldwork included:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

There are no issues that we need to bring to the Committee's attention from the work we have completed to date.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We have discussed our plan and timetable with officers.

The final accounts audit is due to begin in July with findings reported to you in our Audit Findings Report. We will present our report at the July Audit Committee meeting and issue our audit opinion by the 31 July deadline.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that, "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan. We identified two significant Value for Money risks including; the development of a detailed medium term financial plan to support the Combined Authority's strategic objectives and development of performance management framework against which the Authority can measure its impact and effectiveness and can be accountable to stakeholders and tax payers. Our audit work in this area is ongoing.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Meetings

We met with Finance Officers in March as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Combined Authority. Your officers attended our Financial Reporting Workshop in February, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2018-19 financial statements.	February 2019	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Combined Authority responsibilities

In our Audit Plan presented to the Audit Committee in February 2019 we have communicated our expectations around the Authority's responsibilities for timely production of the draft accounts supported by appropriate working papers. Should delays be experienced in the provision of these requirements or should additional work be required on our part due to complex technical issues, new arrangements and delays in response to queries additional costs will be incurred.

Any additional fees are subject to approval by PSAA.

Sector Update

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Page 22

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Insights from local government sector specialists](#)
- [Reports of interest](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

National Audit Office – Planning for new homes

The National Audit Office (NAO) has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The report concludes that the Department and government more widely need to take this much more seriously and bring about improvement if they are to meet their ambition of 300,000 new homes per year by the mid-2020s.

The report is available on the NAO website:

<https://www.nao.org.uk/report/planning-for-new-homes/#>



Links

Grant Thornton

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office

<https://www.nao.org.uk/report/planning-for-new-homes/#>

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Our ref: WECA/201920 fee

Malcolm Coe
Director of Investment and Corporate Services
West of England Combined Authority
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Grant Thornton UK LLP
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26 April 2019

Dear Malcolm

Planned audit fee for 2019/20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Authority and ourselves and separate fees agreed with the Authority.

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Authority's scale fee for 2019/20 has been set by PSAA at £18,634 which is the same as in 2018/19. As the Authority continues to take on new roles and responsibilities and the complexity of the financial statements and the audit of them increases, we are discussing with officers whether this scale of fee remains appropriate. We will conclude these discussions once the extent of any changes are known during the year and will review and agree the fee prior to the detailed work for the 2019-20 audit commencing. Any changes will be agreed with the Authority and PSAA and communicated to those charged with governance.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	4,658.50
December 2019	4,658.50
March 2020	4,658.50
June 2020	4,658.50
Total	18,634.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2019 to March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July and work on the whole of government accounts return in July 2020.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2019 to March 2020	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of

Phase of work	Timing	Outputs	Comments
			the Authority's accounts and VfM.
Final accounts audit	June to July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to July 2020	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2020	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2020	Annual audit letter to the Authority	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Engagement Lead	Barrie Morris	0117 305 7708	barrie.morris@uk.gt.com
Engagement Manager	Michelle Burge	0117 305 7886	michelle.burge@uk.gt.com
In Charge Auditor	Rob Patterson	0117 305 7767	rob.j.patterson@uk.gt.com

Additional work

The scale fee excludes any work requested by the Authority that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Authority.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, via j.roberts@uk.gt.com.

Yours sincerely



Barrie Morris
Engagement Lead
Grant Thornton UK LLP

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19 February 2019

Dear Geoffrey

**West of England Combined Authority Financial Statements for the year end
March 2019
Understanding how the Audit Committee gains assurance from management**

To comply with International Auditing Standards, each year we need to refresh our understanding of how 'Those Charged with Governance' (which for West of England Combined Authority is the Audit Committee) obtain assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Chair of the Audit Committee with your responses to the following questions.

- 1 How does the Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud in the Authority (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

I have enclosed a separate schedule which explores these areas in more detail.

For information, we are also required to make enquiries of management and recently sent a letter and schedule of question to Malcolm Coe. I would be grateful if you could provide a response by 29 March 2019

If you have any queries in respect of this letter, please contact Michelle Burge on Michelle.Burge@uk.gt.com.

Yours sincerely

A handwritten signature in blue ink that reads "Grant Thornton UK LLP". The signature is written in a cursive, flowing style.

Grant Thornton UK LLP

Response from Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?	
What are the results of this process?	
What processes does the Authority have in place to identify and respond to risks of fraud?	
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
Are internal controls, including segregation of duties, in place and operating effectively?	
If not, where are the risk areas and what mitigating actions have been taken?	
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	
Are there any areas where there is a potential for misreporting?	
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	
What arrangements are in place to report fraud issues and risks to the Audit Committee?	
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	
How does the Audit Committee encourage staff to report their concerns about fraud? Have any significant issues been reported?	
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Authority as a whole or within specific departments since 1 April 2018?	

Law and regulation

Auditor Question	Response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?	
How does management gain assurance that all relevant laws and regulations have been complied with?	
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2018?	
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	
Is there any actual or potential litigation or claims that would affect the financial statements?	
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	

Michelle Burge
Audit Manager
Public Sector Assurance
Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

31 March 2019

Dear Michelle

**West of England Combined Authority Financial Statements for the year end March 2019
Understanding how the Audit Committee gains assurance from management**

Thank you for your letter of the 19 February 2019.

Throughout the second year of the Combined Authority, and that of the operation of the Audit Committee, we have continued to assess and examine the assurances in place for WECA as the organisation develops, grows in complexity and takes on further devolved functions.

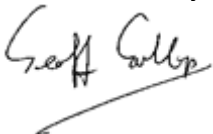
While good progress has been made in ensuring adequate arrangements are in place, my intention, in my role as Chair of the Committee, is to continue to ensure such governance controls are developed, tested through regular internal audit and Committee scrutiny and assessment by management of material risks.

The Committee is also due at its next meeting to review and approve the Authority's Counter Fraud Strategy and Response Plan. This will take place prior to the conclusion of the 2018/19 Statements' external audit, so I hope will further demonstrate the role of the Committee in assuring that WECA management processes and arrangements identify and respond to the risk of breaches of internal control.

In terms of my role and that of the Committee I have not been informed or become aware of any frauds or fundamental breakdowns in internal control. However, I can continue to offer the assurance that we have confidence that the arrangements developed to date by officers and reviewed by Audit West are adequate and appropriate.

In that respect, I once again refer you to the reports and discussions we have had at the Audit Committee which you have witnessed and had access to and the appendix to your letter which is attached and provides you with further information regarding the assurances the Committee is able to rely on.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Geoff Gollop', with a long horizontal stroke underneath.

Cllr Geoff Gollop (Bristol CC) – Chair of WECA Audit Committee

Response from Audit Committee Chair, WECA

Fraud risk assessment

	Auditor Question	Response
1	Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	The work of the finance service and internal audit provides assurance that material misstatement due to fraud is not occurring.
2	What are the results of this process?	S151 Officer & Internal audit have provided assurance that appropriate arrangements are operated to deter and detect fraud which include the provision of appropriate internal controls.
3	What processes does the Council have in place to identify and respond to risks of fraud?	Audit plan which is agreed by the Audit Committee includes a Counter Fraud Plan and most audit reviews consider Fraud & Corruption risks. Fraud Risk is acknowledged to be low based on WECA's operations and Internal Audit have focussed their work on the areas that are assessed of highest risk, i.e. Procurement and Contract arrangements.
4	Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	To my & the Committee's knowledge (and as informed by management and the Head of Audit West) I am not aware of any specific frauds (risks), or areas with a high risk of fraud where fraud has been identified. I refer to the answer in question 3 regarding the level of risk.
5	Are internal controls, including segregation of duties, in place and operating effectively?	I and the Committee have received assurances through our formal meetings from internal audit that internal controls are operating satisfactorily through their reports.
6	If not, where are the risk areas and what mitigating actions have been taken?	I and the Committee have been informed by the Head of Audit West through our formal meetings of the outcomes from the Reasonable Assurance Model assessment and the specific areas of audit work where improvements have been recommended and the progress in implementing such improvements.

	Auditor Question	Response
7	Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	I and the Committee have not been made aware through the formal meetings of any such areas. I and the Committee rely on internal audit to bring such issues to the attention of the Audit Committee.
8	Are there any areas where there is a potential for misreporting?	I and the Committee have been briefed by the S151 Officer at our formal meetings that the Financial Reporting process and internal controls and governance processes minimise the potential for misreporting.
9	How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	It receives reports from the Head of Audit West to the Committee and I refer again to the answer given to question 3.
10	What arrangements are in place to report fraud issues and risks to the Governing Body?	The Audit Committee can receive reports from the Head of Audit West which highlight any fraud issues, if any exist, none in this year and I refer to the answer given in question 3.
11	How does the Council communicate and encourage ethical behaviour of its staff and contractors?	<p>All staff have been told of the relevant HR policies and will be reminded of this periodically and the need to declare any relationships (financial and non-financial) which staff may have with contractors employed by the council.</p> <p>The Employee Code of Conduct outlines the responsibilities of staff in relation to personal and financial interests, gifts and hospitality and bribery and corruption.</p> <p>The Whistle blowing policy applies to staff, members, suppliers, contractors, volunteers and anybody acting on behalf of the council.</p>
12	How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	<p>Through my role as Chair both at Committee and in my other roles as a Member.</p> <p>A whistle-blowing policy and procedure is in place and communicated to staff. Various options are set out within the policy to make reporting easier and</p>

	Auditor Question	Response
		<p>allegations can be made anonymously.</p> <p>No significant issues have been reported.</p>
13	Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	<p>I and the Committee have not been informed of any such relationships or transactions but each year the Mayor, all Chief Officers and Statutory Officers are required to make declarations regarding such issues as part of the closure of the accounts.</p> <p>Officers and Members are governed by their respective Codes of Conduct and obliged to complete documents about their interests and Members are required to declare any interests at all relevant meetings.</p>
14	Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2016?	<p>I and the Committee have not been informed or made aware – through assurances from the Head of Audit West - of any specific fraud which would require specific reporting to the Audit Committee or to the External Auditor.</p>

Law and regulation

	Auditor Question	Response
15	What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	<p>The Committee has been advised that decision reports require legal and financial implications to be signed off. The work of Statutory Officers and Internal Audit includes a focus on compliance with law and regulation and the Annual Governance Statement covers this area in detail.</p> <p>Many key decisions are also approved by constituent authorities as part of their own governance arrangements, who therefore share responsibility for reviewing compliance.</p>
16	How does management gain assurance that all relevant laws and regulations have been complied with?	<p>The Committee has been advised that the assurance is gained through decision reports to WECA and Joint Committee. In addition, it takes assurance through S151 Reports, Internal audit reports, Whistle</p>

		<p>blowing procedures and the Annual Governance Statement and Assurance Framework.</p> <p>Staff are employed in critical posts with the relevant professional qualifications, skills and knowledge.</p>
17	How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The Committee has been advised by the S151 Officer and Monitoring Officer that there are no issues. Additional assurance is obtained through Internal Audit Reports and the Annual Governance Statement, which communicates the principle of respect for the rule of law and fulfilling all responsibilities in accordance with legislative and regulatory requirements.
18	Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2018?	I and the Committee have not been made aware of any instances by the Statutory Officers.
19	What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	The Committee is advised that this is obtained through general monitoring of legal work i.e. we receive 'letters before action' and would refer to the Monitoring Officer.
20	Is there any actual or potential litigation or claims that would affect the financial statements?	<p>I and the Committee have been made aware of one instance by Statutory Officers relating to NDR Charitable Relief.</p> <p>We are aware through our constituent councils that 20 NHS foundation trusts are involved in litigation to claim NDR charitable relief affecting 49 local authorities including Bath and North East Somerset Council. The LGA is acting for the affected authorities and it is confident that the claim will be unsuccessful. Our assessment is that the risk of success of the claim is low and therefore no financial provision or contingent liability has been included in the accounts. A hearing window of between 1/10/19 and 31/12/19 has been set.</p>

		In addition, I am informed that one employment matter may be taken to Tribunal for determination.
21	Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	I and the Committee have not been made aware of any instances by Statutory Officers.

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE

DATE: 25th JUNE 2019

REPORT TITLE: INTERNAL AUDIT ANNUAL REPORT 2018/19

AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)

1. PURPOSE OF THE REPORT

1.1 This is the Annual Report of the Internal Audit function detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

2. RECOMMENDATION

2.1 The Corporate Audit Committee notes the Internal Audit Annual Report 2018/19 and formal opinion on the internal control framework.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4. THE REPORT

4.1 The Annual Internal Audit Plan for 2018/19 was presented to the West of England (WECA) Audit Committee on the 26th April 2018. This approach involved a mixture of formal audit work along with an assessment of the internal control framework to inform the plan for future years. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the WECA's internal control environment.

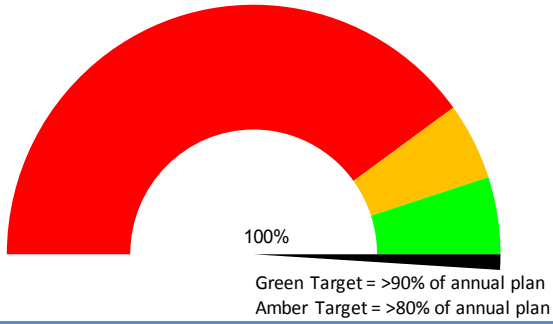
4.2 The Committee receives verbal updates at each meeting and a formal update on delivery against the plan in November 2018 and February 2019. This report builds upon that update and the chart overleaf records the position as at the end of the year.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

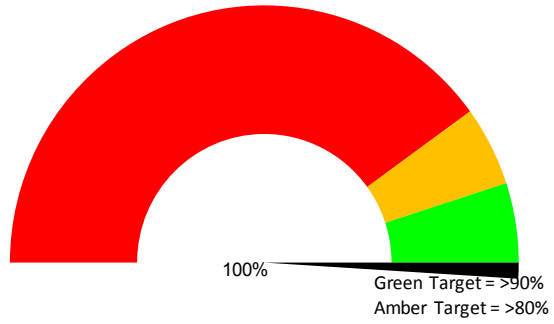
Client - WECA

Period - April 2018 - March 2019

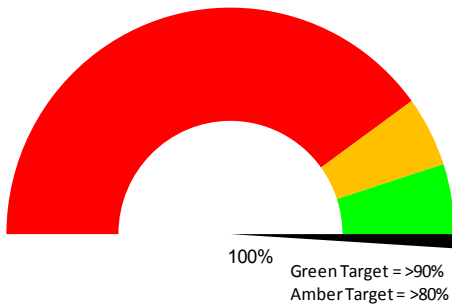
1. AUDIT PLAN COMPLETED



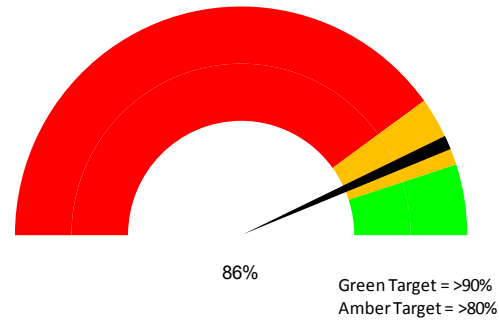
2. AUDITS COMPLETED IN PLANNED TIME



3. CUSTOMER SATISFACTION

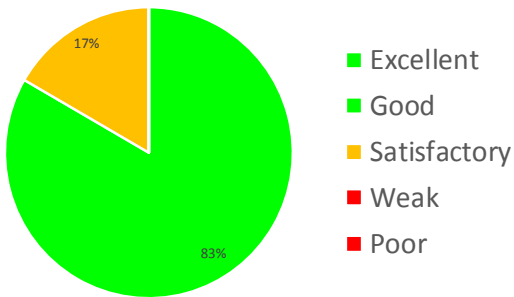


4. IMPLEMENTATION OF RECOMMENDATIONS

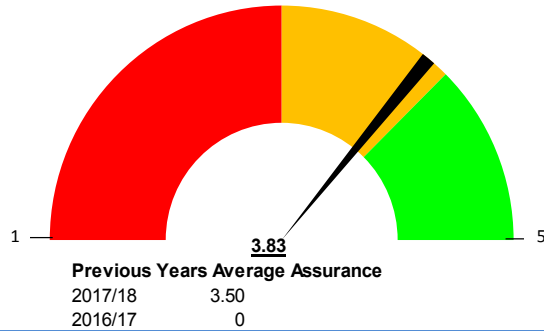


5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

Current Position



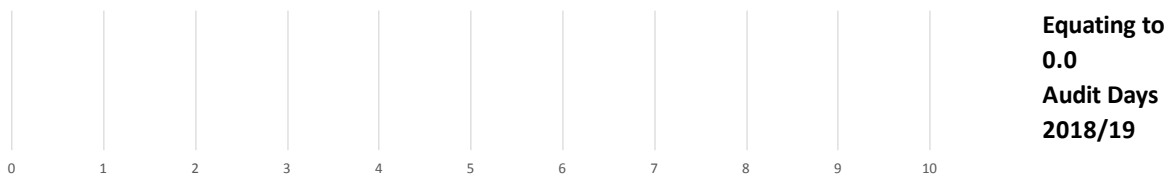
Current Average Assurance Level



6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



8. NEW UNPLANNED WORK



PERFORMANCE SUMMARY

4.3 COMPLETION OF THE INTERNAL AUDIT PLAN

- 4.3.1 The performance dashboard shows that 100% of the plan is 'substantially completed'. This includes work that is either finalised or at reporting stage.
- 4.3.2 Appendix 1 records the estimated status of each audit review within the 2018/19 Audit Plan at the end of the year.
- 4.3.3 This records that 6 formal audit reviews have been finalised along with 7 follow-up audits and 11 further pieces of targeted audit work.

4.4 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 4.4.1 The percentage of audits completed within the initial allocated days is recorded at 100%. This figure was calculated based on audits recorded as being at 'Final' and 'Completed' Report stage.
- 4.4.2 The importance of completing work within the assigned number of days is monitored closely by the management team.

4.5 CUSTOMER SERVICE

- 4.5.1 Customer service and providing value to clients is essential to the provision of a quality internal audit service. We are pleased to report that all questionnaires completed through the Internal Audit Computer System recorded good or excellent responses and this matched feedback received verbally from individual Service Managers.
- 4.5.2 Customer feedback is initially reviewed by the Audit Manager and the scores and comments are communicated onto the relevant auditor.
- 4.5.3 Some of the comments received from this completed questionnaire are recorded below:

"This Audit builds upon those previously undertaken and has supported the progressive strengthening of arrangements"

'Good Report and fair recommendations'

'Recommendations were very fair and balanced and reflective of the fact that we had a reasonably new arrangement'

'Very professional'

'Always felt well informed and engaged'

4.6 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

- 4.6.1 The dashboard records the implementation of recommendations at the time the audit was 'Followed-Up' at 86%. Of this only 1 high risk recommendation had not been implemented as at the time of the follow-up but has subsequently been completed and 4 out of 30 medium risk recommendations had not been implemented. Due to the change in service provider these recommendations will be followed through in the implementation process of the new financial systems provision as they relate to Payroll, Creditors and Debtors.

4.7 INVESTIGATIONS/ WHISTLEBLOWING

4.7.1 During 2018/19 Audit West has not been involved in any formal investigations and there are no known whistleblowing cases.

4.8 ASSURANCE LEVEL PROVIDED

4.8.1 Appendix 1 details all the work undertaken and a summary of our opinions with a slightly improved position on last year. There were six audit reviews substantially completed of which five have recorded an assurance level of good (Level 4) and one recorded an assurance level of satisfactory (Level 3). Please see Appendix 2 for a description of our assurance levels.

4.8.2 In addition to this formal work we also reviewed Counter Fraud arrangements as a separate piece of work to support good governance and help WECA establish appropriate arrangements - so this was not formally rated - and 8 recommendations were made to help form a sound framework to manage the risks in this area.

4.8.3 Further to this we also supported the production of the Annual Governance Statement by reviewing all the sources of assurance and independently assessed the evidence with no significant issues identified for the statement. This was also validated by the work on our reasonable assurance model which independently assesses eight key themes of organisational health and rates them based on levels of assurance and risk. Again there were no significant findings and a summary of our views were presented in detail at the last meeting.

4.8.4 Finally we also carried out some limited grant certification work on the Growth Hub and we anticipate grant certification work to increase in 2019/20 as more expenditure is incurred on delivery of key outcomes for WECA. Yet again there were no significant issues from this work and the grant return signed off.

4.9 UNPLANNED AUDITS / WORK

4.9.1 There were no unplanned pieces of work during 2018/19.

4.10 FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK

4.10.1 The Service Director – One West (Acting as Chief Audit Executive for WECA) is required to give an opinion on the internal control framework.

4.10.2 Statement of the Service Director – One West - In forming an opinion on the internal control framework I have considered the work of the Audit & Assurance function as well as consideration of other assurances I can rely on and the wider governance framework and performance of the WECA.

It is my opinion that at the current time the WECA's internal control framework and systems to manage risk are reasonable.

- Reasonable assurance can be provided over the WECA's systems of internal control, helping to ensure corporate priorities can be achieved;
- Agreed policies, Financial Regulations and Contract Standing Orders are broadly being complied with;
- Managers throughout the WECA are aware of the importance of maintaining adequate and effective governance arrangements;
- Appropriate arrangements are operated to deter and detect fraud and investigations and did not identify any systemic failures;

- There were no fundamental system failures or control breakdowns to business critical functions or any identified fraud;

- There were no poor or weak ratings from Audit Work

The Audit Committee's support in ensuring this balance and maintaining effective corporate governance is appreciated and I would like to thank all members of the committee for their input and guidance over the past year.

Consultation:

5. Outcomes of Audit Work were consulted with Senior Management team and Director of Investment & Corporate Services.

Public Sector Equality Duties:

6. No significant implications

Economic Impact Assessment:

7. No direct implications.

Finance Implications:

8. No direct implications, cost of service within existing budgets

Legal Implications:

9. No direct implications

Land/Property Implications;

10. No direct implications.

Human Resources Implications:

11. No direct implications

Recommendation:

12. To note the report, statutory opinion on the Internal Control framework and outcome of Internal Audit work undertaken in 2018/19.

Report Author:

Audit West – Jeff Wring

West of England Combined Authority Contact: Malcolm Coe – Director of Investment & Corporate Services

Background Papers

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 456 6982; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

Audit Area	Assurance Level or Risk Rating	Rec's Made	Rec's Agreed
Accounting Ledger – Control A/C Reconciliation	Assurance Level 4 - Good	2 Medium	All
Bank Account Reconciliation	Assurance Level 4 - Good	2 Medium	All
Risk Management	Assurance Level 3 - Satisfactory	1 Medium	All
Adult Education	Assurance Level 4 - Good	1 High 3 Medium	TBC
Future Bright	Assurance Level 4 - Good	1 High 4 Medium	All
Grant Funding	Assurance Level 4 - Good	3 Medium	All
Counter Fraud Arrangements	Satisfactory	8	All
Annual Governance Statement - Review	Satisfactory	-	-
Grant Certification – Growth Hub	Satisfactory	-	-
Reasonable Assurance Model – Corporate Governance	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Financial Management	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Risk Management	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Performance Management	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Procurement	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Information Management	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Asset Management	Assurance & Risk Rating - Green	-	-
Reasonable Assurance Model – Project Management	Assurance & Risk Rating - Amber	-	-
Follow – Up Area	Original Assurance Level	Rec's Made	Rec's Implemented
Follow – Up – Local Growth Fund	Assurance Level 3 - Satisfactory	3 Medium	All
Follow – Up – Accounts Receivable	Assurance Level 3 – Satisfactory	8 Medium	7 Medium
Follow – Up – Accounts Payable	Assurance Level 4 – Good	7 Medium	5 Medium
Follow – Up – Payroll	Assurance Level 4 – Good	4 Medium	3 Medium
Follow – Up – Treasury Management	Assurance Level 4 - Good	3 Medium	All
Follow – Up – Procurement (IEB)	Assurance Level 2 - Weak	5 High 2 Medium	4 High 2 Medium
Follow – Up – Grant Funding	Assurance Level 4 - Good	3 Medium	All

Appendix 2 – Audit Opinion Descriptions

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

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ITEM: 13

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE

DATE: 25th JUNE 2019

REPORT TITLE: WECA - INTERNAL AUDIT PLAN (2019/20)

AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)

Purpose of Report

1. To present the Internal Audit Plan for 2019/20 for approval.

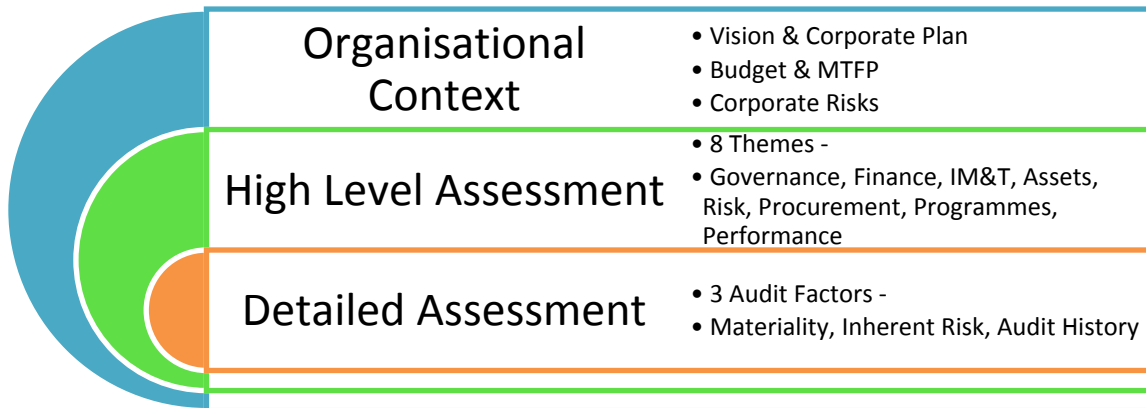
Issues for Consideration

2. To consider the areas included within the Audit Plan and the core assurances it requires from its audit function on its core systems and governance framework.
3. To ensure that the Audit Committee can rely on the independent assurance given by its Internal Auditor's as laid out within the Audit Charter.

Report Narrative / Main Content

Internal Audit Annual Plan 2019/20 (Appendix 1)

- 4.1 The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan. This is the third year of WECA's operation and most of the key foundations of good governance are now in place and have been reviewed as part of our planned activities.
- 4.2 However following changes in Senior Management during the year and decisions of existing service providers some core financial and corporate governance activities will change during 2019/20 as certain functions are insourced or are replaced with a different provider. The Audit Plan attached reflects this along with an assessment of our assurances and risk facing WECA as outlined in detail at the last Audit Committee meeting.
- 4.3 The Plan has been subject to consultation with the Director of Investment and Corporate Services (S151 Officer) and WECA's strategic management team. The Internal Audit service (Audit West) use the reasonable assurance model to compile the plan, of which the essential elements are as follows –



4.4 As presented to the last Audit Committee in detail at its last meeting we have used the reasonable assurance model as one of our core assurance processes as well as informing the plan for this year. Notwithstanding the assessment, specific circumstances (such as a significant reputational issue or request of S151 Officer or Senior Management Team may on occasion mean that a new audit area may be included in the Plan.

4.5 Resources available to deliver the Plan will also inform the quantum of the Plan which amounts to approximately 90 days in total plus a contingency sum and the areas indicated in the plan relate to these numbers of days.

4.6 In addition to completing the Internal Audit Reviews, Audit West will -

- Provide advice on request on WECA's risk management framework;
- Provide advice on systems of internal control including WECA policies and procedures. This is particularly important when systems and processes are being developed or changed;
- Provide support to WECA on carrying out investigations in relation to financial irregularities. This may require Audit West staff to take on the Investigating Officer role in compliance with WECA's disciplinary procedures;
- Provide a service to verify the accuracy of specific grant claims and when required provide assurance to the WECA's Chief Executive or other officers who are required to 'sign-off' Claim Certificates.

4.7 The Plan will remain fluid during the year to enable the service to respond to WECA's changing risk environment and the Committee will receive an update on the work undertaken later in the year.

Internal Audit Charter & Professional Standards

4.8 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government, Central Government and the NHS. The PSIAS was revised wef 1st April 2017 and are based on the Institute of Internal Auditors' International Standards. The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the UK public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

- 4.9 A key requirement of the PSIAS is an Internal Audit Charter which defines the internal audit activity's purpose, authority and responsibility. The Internal Audit Charter establishes its position within the organisation; the nature of the Chief Audit Executive (CAE's) functional reporting relationship with the Audit Committee; formally records its access to property, records and personnel; and defines the scope of internal audit activities. The CAE must periodically review the Internal Audit Charter and present it to the Audit Committee for approval.
- 4.10 As part of best practice we always present the Charter annually to the Audit Committee (which you approved last year) so that they are aware of how Internal Audit delivers its services and derives its authority and to re-confirm our independence.
- 4.11 Each year we will assess ourselves against the required standards and ensure a quality assurance and improvement programme (QA&IP) is in place requiring both internal and external assessment with an external assessment being required once every 5 years.
- 4.12 We were externally assessed in 2018 and are pleased to confirm we have received the highest rating – general confirming to standards – and will ensure we keep the Committee appraised on an annual basis of our ongoing compliance.

Consultation:

5. Draft Plan was consulted with Senior Management team and Director of Investment & Corporate Services.

Public Sector Equality Duties:

6. No significant implications

Economic Impact Assessment:

7. No direct implications.

Finance Implications:

8. No direct implications, cost of service within existing budgets

Advice given by: Director of Corporate Services

Legal Implications:

- 9 No direct implications

Advice given by: Director of Corporate Services

Land/Property Implications;

- 10 No direct implications.

Advice given by: Director of Corporate Services

Human Resources Implications:

- 11 No direct implications

Advice given by: Director of Corporate Services

Recommendation:

12 To note the report and approve the Internal Audit Plan attached at Appendix 1.

Report Author:

West of England Combined Authority Contact: Malcolm Coe – Director of Corporate Services

Audit West – Jeff Wring

Background Papers

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 456 6982; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

Internal Audit Plan 2019/20



Page 53

Audit West

Delivering Independent Assurance to the Public Sector

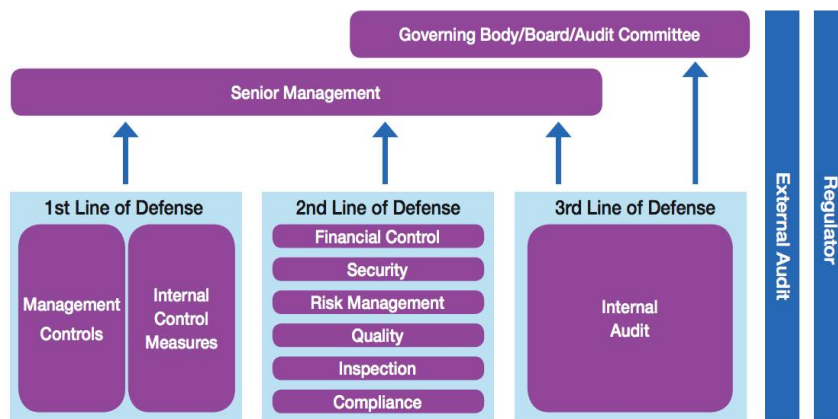
1. Our Role

Introduction

The West of England Combined Authority is striving to be a driving force for clean and inclusive economic growth in the West of England with the aim to ensure that people benefit from more job opportunities, a stronger economy and a higher quality of life. To achieve this the Authority has recognised the importance of excellence in resource management and sound governance as fundamental to achieving these priorities.

Audit West fully recognizes its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Authority is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

Three Lines of Defence Model



By being independent of management Audit West maintain the third line of defence and we continue to do this effectively by working with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation.

We also aim to offer continued value to all our clients based on the following key priorities –

- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in Skills**
- **Offering complimentary assurance services**
- **Providing Value for Money**

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2019/20.

2. Your Priorities & Plans

OPERATING FRAMEWORK

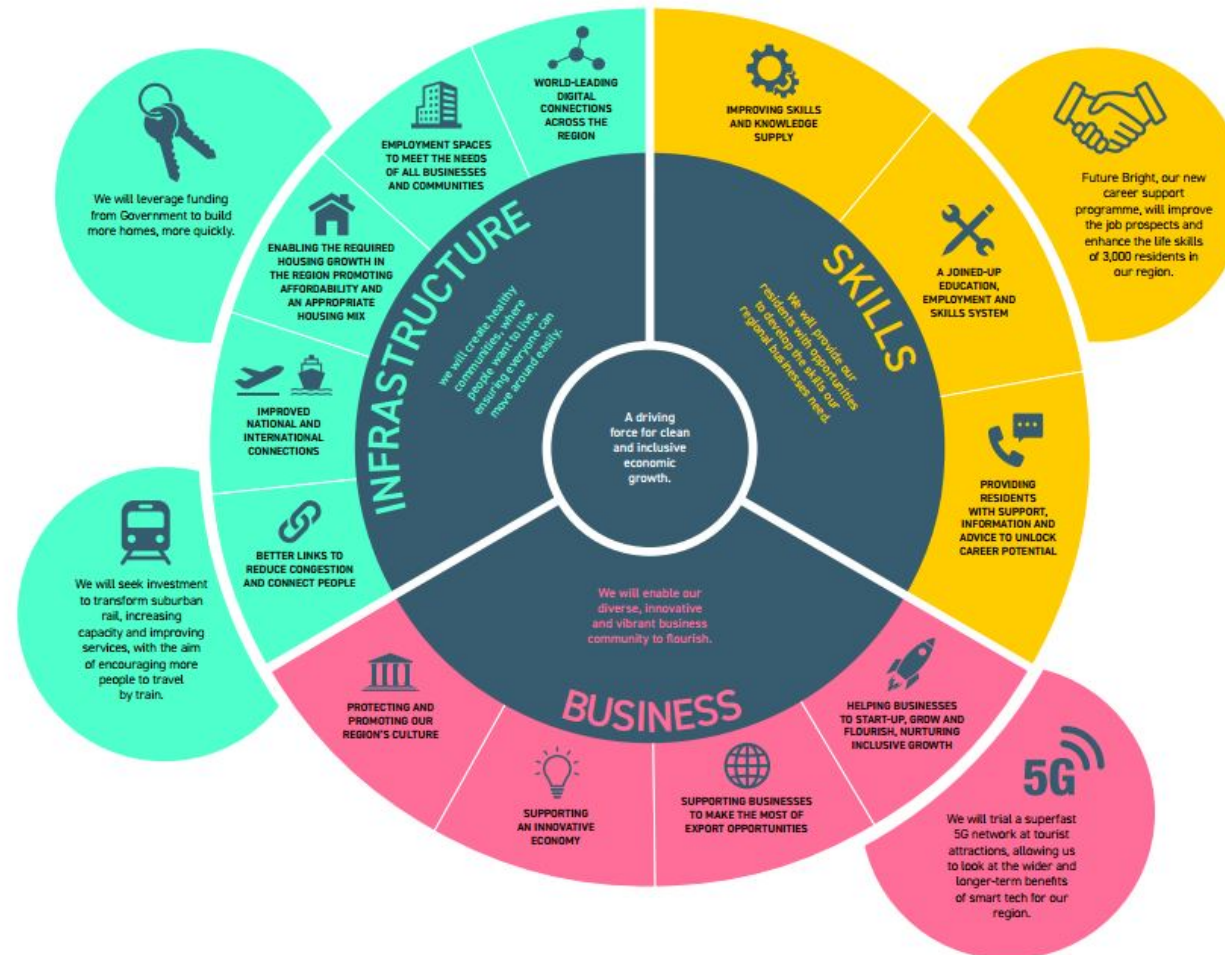
Our operating framework sets out our priorities for clean and inclusive economic growth in the West of England.

OUR AMBITIONS

The West of England is a place of growth and innovation, where economic, cultural and environmental diversity is celebrated and forms the foundation of prosperity for all.

We are investing in people and places - including jobs, skills, transport, homes, and digital connections - to ensure we are creating healthy communities where people want to live, work and visit.

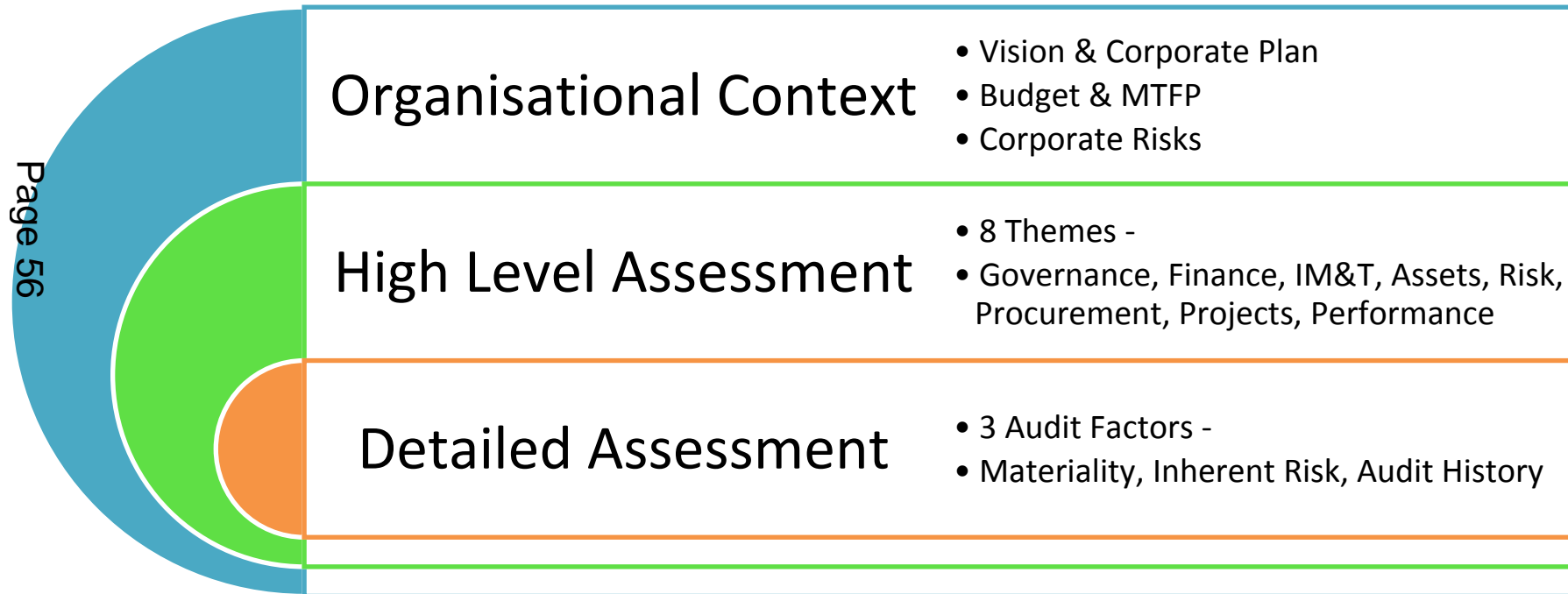
We will achieve our ambitions by investing in three priority areas: infrastructure, skills and business.



3. Reasonable Assurance Model – Producing the Audit Plan

The model is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year.

This involves considering current context of the Authority, what a 'healthy organisation' requires to operate effectively and then assessing independently against this in a staged process as follows –



HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE

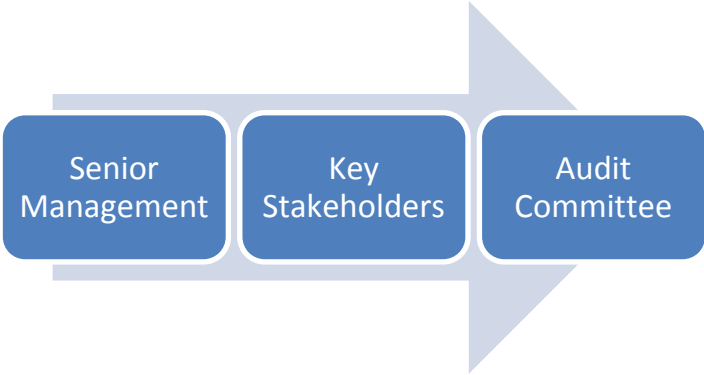


Page 57

DETAILED CRITERIA – AUDIT PLAN LISTING



CONSULTATION & APPROVAL



Results of our Reasonable Assurance Model Risk Assessment –

Page 58

HIGH		PROGRAMME & PROJECT MANAGEMENT			
		CORPORATE GOVERNANCE	PROCUREMENT		
		FINANCIAL MANAGEMENT	PERFORMANCE MANAGEMENT	RISK MANAGEMENT	
			INFORMATION MANAGEMENT		
			ASSET MANAGEMENT		
	HIGH	LEVEL OF ASSURANCE			LOW

4 Areas for Review – 2019/20

Internal Audit Areas	Reasonable Assurance Theme
Infrastructure & Investment	
Treasury Management	Financial Management/Corporate Governance
ICT & Financial Systems Programme	Financial Management/Programme & Project Management/ Corporate Governance
Land Acquisition Fund	Financial Management/ Programme & Project Management/ Corporate Governance
Housing Infrastructure Fund	Financial Management/ Programme & Project Management/ Corporate Governance
Corporate Governance	
Annual Governance Review (AGS)	Corporate Governance
Reasonable Assurance Model – Corporate Governance	Corporate Governance
Reasonable Assurance Model – Financial Management	Financial Management
Reasonable Assurance Model – Performance Management	Performance Management
Reasonable Assurance Model – Risk Management	Risk Management
Reasonable Assurance Model – Programme & Project Management	Programme & Project Management
Reasonable Assurance Model – Procurement	Procurement
Reasonable Assurance Model – Information Management	Information Management & Technology
Reasonable Assurance Model – Asset Management	Asset Management
Follow-Up Reviews	
Accounting Ledger – Control A/C Reconciliation	Financial Management
Bank Account Reconciliation	Financial Management
Risk Management	Risk Management
Counter Fraud Arrangements	Risk Management
Adult Education Budget	Risk & Performance Management
Future Bright	Risk & Performance Management
Grant Funding (i.e. Local Growth Fund)	Financial Management
Grant Certification – LEP/Accountable Body	
West of England – Local Growth Fund - (LEP/Accountable Body)	Financial Management/ Corporate Governance
West of England - Growth Hub Grant Claim – Certification	Financial Management
West of England - Enterprise Network Adviser Grant Claim - Certification	Financial Management
West of England - Apprenticeship Grant Claim – Certification	Risk Management
West of England - Careers Enterprise Grant Claim - Certification	Risk Management

5 Contact Details

Engagement Lead –	Jeff Wring 01225 477323 jeff_wring@bathnes.gov.uk
Audit Manager -	Mark Wheeler 01225 477286 Mark_wheeler@bathnes.gov.uk
Address	One West Bath & North East Somerset Council The Guildhall High Street BATH, BA1 5AW

Internal Audit Charter

This document sets out the purpose, authority and principal responsibilities of the Internal Audit Service for West of England Combined Authority.

1 Internal Audit's Purpose and Mission

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the West of England Combined Authority (WECA) on its control environment.
- 1.2 Internal Audit helps the organisation to achieve its objectives through a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. Its mission is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

2 Internal Audit's Statutory Role

- 2.1 The Accounts & Audit Regulations 2015 (Local Government England & Wales) states that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 2.2 Section 151 of the Local Government Act 1972 requires the Authority to designate an Officer to be responsible for “making arrangements for the proper administration” of the Council’s financial affairs. One of the ways by which this duty is discharged is by maintaining an adequate and effective Internal Audit Service.
- 2.3 The Audit Committee responsibilities are recorded in its’ own Terms of Reference, and are also subject to regular review.

3 Standards for Professional Practice of Internal Auditing

- 3.1 Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Service Director – One West (representing Audit West) will report periodically to the WECA S151 Officer and the WECA Audit Committee regarding Internal Audit conformance to the Code of Ethics and the Standards.

4 Management's Responsibilities for Internal Control

- 4.1 Responsibility for internal control rests fully with Management, who shall ensure that arrangements are appropriate and adequate. Management shall establish and maintain an adequate system of internal control to enable them to discharge their responsibilities and to ensure that the Council's resources are properly applied in the manner intended. This includes responsibility for the prevention and detection of fraud.

5 Audit West's Responsibility & Objectives

- 5.1 Audit West is responsible for carrying out an appraisal of all the WECA's activities, financial or otherwise, in line with this Internal Audit Charter. Audit West will provide an annual opinion to the WECA Audit Committee, and will carry out Audits and other assurance work in order to deliver this opinion. In addition, Audit West will report to Management any material facts that may affect the delivery of the opinion.
- 5.2 As stated in Section 3 Audit West will be governed and will comply with the Professional Practices Framework, (including the Public Sector Internal Audit Standards), and will complete an annual fully evidenced internal assessment of compliance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The findings and any required actions will be reported to the WECA Audit Committee. Compliance will also be verified through an external review assessment every five years.
- 5.3 One of the key service objectives of Audit West will be to produce a risk based Annual Audit Assurance Plan for approval by the WECA Audit Committee. The Audit Plan will remain flexible to take account of the WECA's changing environment and risk profile.
- 5.4 Completion of all or a significant proportion of the approved Audit Plan will be a key performance measure of the Internal Audit Service.
- 5.5 Audit West will directly employ staff and contract as necessary to provide a service to the WECA.

6 The Scope of Internal Audit

- 6.1 Audit West's work is not limited to the WECA's financial systems and records, but extends to all activities of the WECA. This enables Audit West to give an independent and objective opinion on the adequacy and effectiveness of governance, risk management and the control environment as a source of assurance to management.
- 6.2 This will include: reviewing and evaluating compliance with policies, laws and regulations; assessing the reliability and integrity of information; and, safeguarding the WECA's assets. In addition to this core internal audit work, it will undertake, where appropriate, other non-assurance work at the request of management. This may include consultancy and fraud / irregularity related work.

7 Audit West's Reporting lines

- 7.1 Audit West is employed via a contractual agreement from Bath & North East Somerset Council so have no conflicts with regard to management reporting lines. They shall have direct access and the right of report to the WECA Mayor, Chief Executive, Monitoring Officer, Chief Finance Officer, the External Auditor, Chair of the Audit Committee and Chair of the WECA's Scrutiny Committee, where appropriate.
- 7.2 The WECA has an Audit Committee whose Terms of Reference include responsibility for monitoring the performance of the Internal Audit Service and approving its Annual Audit Plan. The Service Director – One West (representing Audit) West reports regularly to the WECA Audit Committee and is required on an annual basis to provide a formal opinion of the adequacy of the Internal Control Framework and systems to manage risk.

8 Internal Audit Independence

- 8.1 A critical element of the performance of the Internal Audit function is independence from the activities it audits. This independence enables Audit West to form impartial and effective judgment for the opinions and recommendations made. To help ensure independence the Service Director – One West (representing Audit West) shall have direct access and the right of report to the Mayor, Chief Executive, Monitoring Officer, Chief Finance Officer, the External Auditor and the Chair of the Audit Committee.
- 8.2 Internal Auditors will be impartial, have an unbiased attitude and avoid any conflict of interest. Auditors will not undertake audit reviews in services where they have previously worked (directly working for the function or carrying out 'consultancy services') in the last two years. In terms of 'consultancy services' this is work which is going beyond providing an opinion on the control environment, i.e. they are designing or developing systems to fulfil an objective.
- 8.3 Internal auditors will disclose any impairments of independence or objectivity, in fact or appearance, to appropriate parties.

- 8.4 Before Audit West agrees to carry out consultancy services consideration will be given to any potential conflicts of interest. If it is concluded that the proposed work would compromise delivery of Audit West's prime function then the work would be declined.
- 8.5 Where the Service Director – One West (representing Audit West) has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 8.6 The Service Director – One West (representing Audit West) will confirm to the WECA Audit Committee at least annually of the independence of the internal audit activity.

9 Internal Audit Fraud related work

- 9.1 Audit West does not have responsibility for the prevention and detection of fraud. However, Audit West staff shall be alert in all their work, to risks and exposures that could allow fraud or corruption. Audit West work alone cannot guarantee that fraud and irregularities will be picked up even when work is performed in compliance with the Public Sector Internal Audit Standards.
- 9.2 The main source for Audit West to be alerted to possible fraud and irregularities will be through the awareness of the Officers and Members of the WECA, the Counter Fraud Strategy and associated policies (Money Laundering Policy; Anti-Bribery Policy and Whistleblowing Policy).
- 9.3 Audit West may also be requested by Management to assist with the investigation of potential cases of fraud and financial irregularities. The objective of the Internal Audit Service is to ensure that: 1) the matter is fully investigated and if necessary referred for Police or disciplinary action; and 2) the system of internal control is enhanced to avoid a repeat of the issue. All reported irregularities would be investigated in line with adopted Strategies, Policies and protocols.

10 Audit West's Right of Access

- 10.1 The Accounts & Audit Regulations 2015 provides that any Officer of the WECA must make available such documents of the Council which relates to its' accounts and other records as appear to be necessary for the purpose of the Audit.

In addition the WECA's Financial Regulations state that the Internal Auditors shall have authority to:

- Enter at any reasonable times, any operational or administrative WECA premises or land and have access to all WECA property.
- Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer

systems relating to any transaction of the WECA, or non-official funds operated by WECA staff,

- Require and receive such explanations as are necessary concerning any matter under examination,
- Require any employee of the WECA to produce or account for cash, stores or any other property under their custody or control,
- Examine any work or services carried out for the WECA by an employee or contractor, and any goods purchased on behalf of the WECA,
- Review appraise and report on the soundness, adequacy and application of internal controls. This includes those controls to protect WECA resources, property and assets from loss / waste.

The Council's Internal Auditors shall have direct access and the right of report to the WECA Mayor, Chief Executive, Monitoring Officer, Chief Finance Officer, the External Auditor, Chair of the Audit Committee and Chair of the WECA's Scrutiny Committee, where appropriate.

11 Relationship with External Audit & other assurance providers

11.1 The relationship between Audit West and the WECA's External Audit should take account of their differing roles. The External Auditor has a statutory responsibility to express an opinion on the WECA's financial statements, whilst Audit West is responsible for assessing the adequacy and evaluate the effectiveness of its risk management, control and governance processes and advising Management accordingly.

11.2 Audit West will co-operate and co-ordinate with External Audit and other review agents to:

- Ensure that duplication of work is minimised
- Consider joint delivery where appropriate
- Determine the level of assurance that can be obtained from their work
- Review the reliance that can be placed on that assurance as part of Audit West's opinion on the control environment
- To enable access to all Audit West records as appropriate.

11.3 As part of its drive to secure efficiencies, Audit West will use all sources of assurance available to it to inform its opinion.

12 Quality Assurance and Improvement Plan

- 12.1 The Service Director – One West (representing Audit West) has developed a quality assurance and improvement programme that covers all aspects of the internal audit activity. It has been designed to enable an evaluation of the Audit West's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Institute of Internal Auditors Code of Ethics. Identifying opportunities for improvement is a key requirement of the programme.
- 12.2 An annual internal assessment will be carried out using a methodology developed to review compliance with the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. The results of the internal assessment including any action plans will be reported as necessary to the WECA Audit Committee.
- 12.3 An external assessment will be carried out at least every five years by a qualified, independent assessor from outside the organisation.
- 12.4 The Service Director – One West (representing Audit West) will inform the WECA Audit Committee of the form of the external assessment and clarify the qualifications and independence of the external assessor. The results of the external assessment including any action plans will be reported in the relevant annual report to the WECA Audit Committee.
- 12.5 Any non-conformance to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics will be highlighted for consideration for inclusion in the Council's Annual Governance Statement.



ITEM: 14

REPORT TO: AUDIT COMMITTEE

DATE: 25 JUNE 2019

REPORT TITLE: COUNTER FRAUD STRATEGY

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT &
CORPORATE SERVICES (s73 OFFICER)**

AUTHOR: MALCOLM COE

Purpose of Report

- 1 The West of England Combined Authority, (WECA), is regularly reviewing and enhancing its corporate governance arrangements. In response to a recommendation by Internal Audit, we are proposing that the Audit Committee endorse the adoption of a Counter Fraud Strategy as detailed as Appendix 1 to this report.

Recommendation

- That the committee endorse the attached Counter Fraud Strategy for WECA.

Background / Issues for Consideration

- 2 The Internal Audit Plan, as agreed by Audit Committee on 26/04/2018, identified Counter Fraud Arrangements as a priority for review in 2018/19. A number of recommendations were subsequently made through this audit, one of which was for WECA to develop, and adopt, a Counter Fraud Strategy.
- 3 Compared to the operations of a unitary council, the risk of fraud occurring through WECA's activities is relatively low (not being responsible for multiple front-facing public services). However, it is envisaged that WECA will progress over the coming months to be much more involved in the client management and delivery of multi-million pound capital projects. As such, it is important to have a robust and transparent Counter Fraud Strategy in place.

Consultation

- 4 We have utilised Counter Fraud strategies across the region to adapt the proposed strategy for WECA. Consultation has taken place with Internal Audit, the WECA Monitoring Officer and WECA (S73) Statutory Finance Officer. The draft strategy was

also reviewed and enhanced by the WECA Senior Management Team prior to submission to the Audit Committee.

Risk Management/Assessment

- 5 Robust Corporate Governance arrangements are essential for the effective management of organisational risks. The Counter Fraud Strategy is the latest addition to the suite of corporate governance documents that WECA has developed, and implemented, over the last two years.

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

- 6.1 The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

- 6.3 There are no direct implications arising from this report.

Finance Implications, including economic impact assessment where appropriate:

- 7 There are no direct financial implications arising from this report. However, by its very nature, a Counter Fraud Strategy is a core document which is designed to protect the public purse.

Advice given by: Malcolm Coe

Appendices:

List any appendices to the report:

Appendix 1 – Draft WECA Counter Fraud Strategy

Background papers:

None

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 456 6982; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

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Counter-Fraud, Bribery, and Corruption Strategy

Contents of this document

Statement of support from Strategic Leadership Team

A. Counter-Fraud, Bribery and Corruption Strategy

B. Counter-Fraud, Bribery and Corruption Policy

1. Purpose

2. Underlying Principles

3. Definitions

4. Responsibilities

5. Reporting Fraud

6. Investigation of Fraud

7. Actions Taken when Fraud is Established

8. Data-matching and Data-sharing

9. Review

C. Responsibilities under this Strategy & Policy

Statement on Fraud by the Strategic Leadership Team, West of England Combined Authority

The Strategic Leadership Team are committed to implementing and maintaining the highest standard of corporate and financial governance and ethical behaviour. We recognise the threats of fraud and corruption and the resulting harm to the citizens of the West of England (WoE) and for that reason, fraud, bribery and corruption against the Authority will not be tolerated and all such occurrences will be investigated. Every pound should be invested in delivery of high quality services and programmes for local communities and businesses, and actively identifying fraud and embedding a counter fraud culture is a priority.

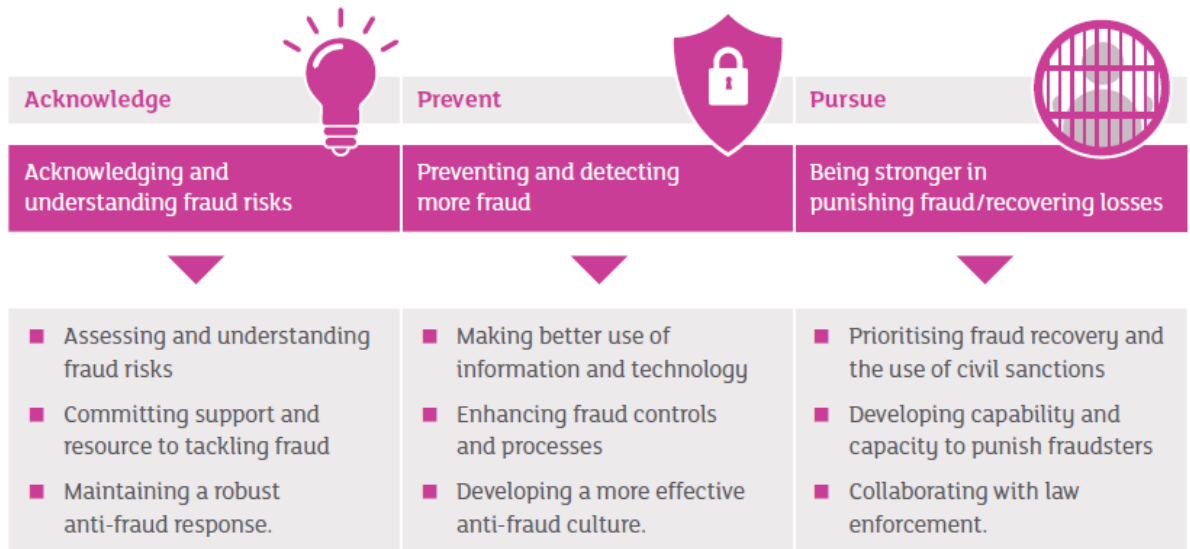
We fully support the investigation of allegations of fraud, the continued development of a robust anti-fraud culture and framework within the Authority and a strong stance being taken where fraud is found. The policies and procedures we already have in place in support of our Local Growth assurance framework for the WoE LEP and WECA funding streams give us a firm grounding in building fraud resilience into our systems. We will

ensure we understand the main fraud risks we face and set out how we protect against through active risk management as set out in our risk registers. We will strive to ensure that we have robust processes in place to prevent fraud in the first instance and that we do not forget the risk of fraud when introducing new services or programmes as they are devolved or funded by Central Government in the drive to improve the economic well-being of the region.

Counter-Fraud, Bribery and Corruption Strategy

1. The Government has made it clear that it expects both central and local government departments to take the issue of fraud seriously and do more to tackle the losses to fraud from public sector funding.
2. The 2016-19 National Fraud Strategy for Local Government - 'Fighting Fraud Locally' set out the principles for central and local government to tackle fraud based around six key themes:
 - Culture - a zero tolerance approach to fraud.
 - Capability - ensuring measures deployed are proportionate to risks.
 - Capacity - deploying right level of resources to deal with risks.
 - Competency - right skills and standards
 - Communication - raising awareness, deterrence, sharing information.
 - Collaboration - working together with colleagues, other authorities and agencies.
3. Additionally, it identifies three key areas in countering fraud and corruption as detailed below.

The Principles - Acknowledge, Prevent and Pursue



Fighting Fraud Locally official NFA Board Slides

Acknowledging and Understanding the Fraud Risks Faced by the Authority:

- Ensuring awareness of, and clear responsibility for fraud risks and how they are managed, including new and emerging risks.
- Determining the Authority's fraud loss profile and ensuring the appropriate levels of resource is invested in counter-fraud work.
- Improving reporting, recording and measurement of fraud and irregularity affecting the Authority.
- Ensuring awareness training is provided to new staff and at various intervals throughout their employment, particularly staff working in areas of high risk.
- Ensuring that counter-fraud staff in key positions of higher risk are adequately trained to undertake their roles effectively.
- Supporting collaborative working and information sharing about fraud and fraudsters between departments, other Local Authorities and other enforcement agencies.

An assessment of the scope of fraud and corruption risks facing the Authority is set out at **Appendix 1**. In a fast-changing landscape of further service devolution, the Authority will scan its forward programme for emerging risks.

Improving Fraud Prevention and Detection Measures:

- Making better use of data held by the Authority, and technology to prevent and detect fraud.
- Developing data and intelligence sharing protocols.
- Ensuring risk registers are reviewed regularly and that there is clear responsibility for the fraud risks.

- Undertaking fraud prevention reviews of key fraud risk areas.
- Setting in place controls that prevent fraudsters from accessing services and employment.
- Targeting proactive fraud work at high risks areas that are likely to generate good returns for the resource invested.
- Developing a stronger anti-fraud culture across the Authority and other delivery agents.
- Making use of publicity opportunities as a deterrent to fraudsters.
- Reviewing the impact of new legislation on fraud and fraud prevention/detection.
- Targeting new and emerging areas of fraud risk and developing sound systems that mitigate the risks.
- Assessing the Authority's arrangements annually against best practice toolkits/assessments and benchmarking.

Pursuing Fraudsters and Recovering Losses

- Using legislation available to prosecute any serious cases of fraud.
 - Investigating other possible avenues of restitution other than prosecution, including asset and civil recovery.
 - To ensure Managers involved are given regular updates on progress of fraud investigation work (as far as confidentiality permits).
4. An overview of the Authority's arrangements to demonstrate our alignment to these core strands of the national strategy can be seen in the Counter Fraud, Bribery and Corruption Policy. The progress against and effectiveness of this strategy will be reviewed annually and performance assessed by the Audit Committee.

B. Anti-Fraud, Bribery and Corruption Policy

1. Purpose

1.1. The purpose of this Policy is to set out clearly to the public and also to Members, employees, contractors, and organisations who work with the Authority:

- The Authority's commitment to tackling fraud, bribery, and corruption.
- The responsibilities of Members and employees to report any suspicions they have.

1.2. Other relevant policies include:

- Anti-Money Laundering Policy and Guidance
- Whistleblowing Policy
- Members' Code of Conduct
- Employees Code of Conduct

- Financial Regulations
- Procurement Regulations

2. Key Principles

- 2.1 The Authority will not tolerate fraud, bribery or corruption and if proved employees will face possible dismissal and/or prosecution.
- 2.2 The Authority expects that Members and officers at all levels will lead by example to ensure high standards of propriety, integrity and accountability.
- 2.3 The Authority will endeavour to raise fraud awareness among employees both at induction and periodically throughout the period of employment.
- 2.4 The Authority expects Members and Senior Officers to emphasise the importance of anti-fraud work and to actively promote the fight against fraud.
- 2.5 The Authority expects that all employees and Members will support the fight against fraud and that individuals and organisations with whom it comes into contact will act with integrity towards the Authority.
- 2.6 The Authority understands the fraud risks it faces and will implement policies and procedures to identify and prevent fraud, bribery and corruption, but will also take all action necessary to identify it.
- 2.7 The Authority will take appropriate action against those responsible for fraud and where possible recover losses incurred.
- 2.8 Members of the public are asked to contribute to the Authority's fight against fraud by remaining vigilant to the potential for fraud and reporting it where they suspect the Authority is being targeted. Employees and Members have a duty to do so, and concerns should be raised when it is reasonably believed that one or more of the following has occurred, is occurring or is likely to occur:
 - A criminal offence.
 - A failure to comply with a statutory or legal obligation.
 - Improper or unauthorised use of public or other official funds.
- 2.9. Investigators must be fair, independent and objective. They must not let any political views or personal views about ethnic or national origin, sex, religious beliefs, or the sexual orientation of the suspect, victim or witness influence their decisions. They must not be affected by improper or undue pressure from any source.

3. Definitions - What is Fraud, Bribery and Corruption?

- 3.1 The Fraud Act 2006 (which became effective on 15 January 2007) created a general criminal offence of fraud and identified three main ways it can be committed:
 - Fraud by false or misleading representation.

- Fraud by failing to disclose to another person information which he is under a legal duty to disclose.
- Fraud by abuse of a position of trust.

3.2 The Act also created four related criminal offences of:

- Possession of articles for use in frauds.
- Making or supplying articles for use in frauds.
- Participating in fraudulent business.
- Obtaining services dishonestly.

3.3 The Theft Act 1968 and the Forgery and Counterfeiting Act 1981 define offences of:

- Theft
- False Accounting
- Forgery

3.4 The Bribery Act 2010 contains two general offences:

- Section 1 - the offering, promising or giving of a bribe (active bribery);
- Section 2 - and the requesting, agreeing to receive or accepting of a bribe (passive bribery) it also sets out two further offences which specifically address commercial bribery:
- Section 6 - creates an offence relating to bribery of a foreign public official in order to obtain or retain business or an advantage in the conduct of business;
- Section 7 - creates a new form of corporate liability for failing to prevent bribery on behalf of a commercial organization.

4. Responsibilities

4.1 The Accounts and Audit Regulations (England) 2011 require the Authority to have appropriate control measures in place to enable the prevention and detection of inaccuracies and fraud. The Authority is committed to an effective counter-fraud approach designed to reduce losses to fraud by:

- Acknowledging and understanding fraud risks faced.
- Preventing fraud happening and detecting it when it does occur.
- Pursuing and punishing fraudsters and recovering losses.

4.2 Detailed roles and responsibilities in relation to fraud are set out in Section C.

5. Reporting Fraud

5.1 The ultimate aim is to prevent fraud at the outset; however, despite our best attempts determined fraudsters may succeed.

5.2 If fraud, bribery or corruption is suspected, it should be reported without delay to a line manager or other senior officer, or to Internal Audit.

- 5.3 Information can be reported by raising the issue with your Manager or via the confidential Whistleblowing procedure. This can be done anonymously if required.
- 5.4 The investigation process will follow the procedure set out in Internal Audit's Investigation Protocol. The Authority will respond effectively to reports of corruption.
- 5.5 Useful contact numbers for reporting fraud are as follows;
- Chief Internal Auditor 01225 xxxxxx
 - Monitoring Officer (Director of Legal Services) 0117 xxxxxx
 - Chief Finance Officer (Director of Investment & Corporate Services) 0117 xxxxxx
 - Outside bodies e.g. Public Concern at Work will give free and independent advice on how to proceed 020 31172520
- 5.6 The Investigation Protocol is designed to ensure that Internal Audit:
- Applies a consistent approach.
 - Assigns appropriately experienced staff to investigate fraud depending on the type and nature of the fraud.
 - Maintains records of all fraud experienced to inform an assessment of the Authority's fraud risks.
- 5.7 The confidential nature of fraud investigations mean that updates cannot usually be provided to those who have reported allegations. All allegations will be taken seriously and where there is evidence to support an allegation, will be fully investigated. Police will be involved where appropriate.
- 5.8 Updates on progress will be provided to Managers where investigations have been commissioned internally. Updates cannot be provided to the public for reasons of confidentiality.

6. Investigation of Fraud

- 6.1 The investigation of fraud, bribery and corruption is a complex and specialist area and will usually be undertaken by staff in Internal Audit or, for less complicated cases, managers, under advice from Internal Audit.
- 6.2 To facilitate audit work and investigations, Internal Audit staff are accorded rights, by the Accounts and Audit Regulations (England) 2011, to access all necessary documents, records, information and explanations from any member of staff. These access rights are confirmed in Financial Regulations.
- 6.3 The investigation process is set out in the Investigations Protocol.

7. Actions Taken When Fraud is Established

- 7.1 Disciplinary, civil and criminal sanctions will be used, as appropriate to each case, in punishing fraud and recovering losses.

- 7.2 Fraud, bribery, corruption and theft by Members or staff will be regarded as gross misconduct. Disciplinary action will be taken against staff. Allegations of Members' misconduct will be referred to the Monitoring Officer for investigation and, should the allegation warrant, further action, including referral to the Police.
- 7.3 One option available to the Authority is criminal prosecution. The decision to refer cases for prosecution may involve Audit Management, Legal Services and Directorate Management.
- 7.4 The ultimate decision on prosecution will be taken by the prosecuting body, which in some cases will be the Authority or the Crown Prosecution Service. A Financial Investigator and/or the Police will be utilised in cases where their additional powers are required to secure evidence or recovery of funds, or where the matter cannot be fully pursued in-house.
- 7.5 In determining whether to prosecute each case will be considered on its own facts and merits.
- 7.6 Where necessary, the Authority will work in co-operation with other organisations such as the Police, Department for Work and Pensions, Home Office, Her Majesty's Revenue and Customs and other Local Authorities.
- 7.7 When considering a case for prosecution it is generally accepted that there are two "tests" to be applied - the evidential test and the public interest test. These are set out in The Code for Crown Prosecutors.
- Evidential Stage Test - Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. A case will not go forward for prosecution if it fails this test.
 - Public Interest Test - A prosecution will usually take place unless the prosecutor is sure that there are public interest factors tending against prosecution which outweigh those tending in favour, or is satisfied that the public interest may be properly served by offering the offender the opportunity to have the matter dealt with by an out-of-court disposal.
- 7.8 All avenues for recovering losses will be considered, including confiscation under the proceeds of crime act, civil claims, recovery from accrued pensions and appropriate insurance claims.
- 7.9 Publicity will be used as a deterrent and wider circulation of investigative reports and lessons learned will be an on-going consideration. Public statements and press releases must be made through the Authority's Communications Team.
- 7.10 WECA's Fraud Response Plan is shown at **Appendix 2**.

8. Data-matching and Data-sharing

- 8.1 The Authority will use information provided by Members, employees, service users and suppliers in the prevention and detection of fraud. Data matching and analysis exercises are undertaken, both internally, locally and nationally to facilitate investigation of fraud.

8.2 All data extraction and use adheres to Data Protection legislation, and has regard to the confidentiality of information.

9. Review

9.1 These arrangements will be reviewed annually to ensure the Authority remains resilient to the changing and growing fraud threat.

C. Responsibilities under this Strategy & Policy

Group/ Individual Responsibilities;

1. Mayor & Members

- A duty to the citizens of the WoE to protect the Authority and public money from any acts of fraud and corruption.
- Compliance with the Code of Conduct for Members, the Authority's Constitution, including Financial Regulations and Procurement Regulations, in particular, the requirements regarding interests, gifts, and hospitality.
- Avoid situations where there is a potential for a conflict of interest.
- Report fraud, bribery or corruption where it is reasonably suspected that the Authority is being targeted.

2. Audit Committee

- Provide assurance on the counter-fraud arrangements to the Authority and sign off the Annual Governance Statement regarding fraud issues specifically.
- Approval of the Counter-Fraud, Bribery and Corruption Strategy and Policy.
- Monitor performance against the fraud strategy.

3. Chief Executive & Directors

- Support the maintenance of a strong culture where fraud, bribery and corruption is unacceptable.
- Notify the Chief Internal Auditor immediately of any fraud or irregularity.

4. Director of Investment & Corporate Services (S151 Officer)

- Ensure that effective procedures are in place for the prompt investigation of any fraud or irregularity.
- Ensure awareness of fraud risks is maintained through training, publicity, risk registers and fraud prevention work.
- Meet the annual publication requirements of details of the Authority's counter fraud work under the Transparency Code.
- Ensure that arrangements are in place to actively pursue fraud.

5. Managers

- Ensure that they, and their staff, understand the fraud risks faced in delivering services by maintenance of a fraud risk assessment.
- Implement and maintain an effective control environment to prevent fraud, commensurate with the level of risk identified.

- Communicate the requirements of this and related policies (see paragraph 1.2) in their work area
- Create an environment in which staff feel able to report concerns of suspected fraud.
- Advise Internal Audit of any suspected cases of fraud and carry out or assist in the investigation of it as required. Advise Internal Audit of the outcome of any cases investigated.
- Ensure fraud prevention controls are built in to new service delivery methods, systems and processes.

6. All Employees irrespective of status

- Be aware of the possibility that fraud, bribery, corruption and theft may exist in the workplace and report it where they reasonably suspect the Authority is being targeted.
- Avoid situations where there is a potential for a conflict of interest
- Comply with the Authority's policies and codes as detailed in paragraph 1.2.

7. Internal Audit

- Maintain an overall fraud risk assessment on behalf of the Authority and review the effectiveness of the Authority's response to the risks faced.
- Deliver an opinion to the S151 Officer and the Audit Committee on the Authority's fraud risk management, control and governance arrangements.
- Undertake an annual programme of pro-active fraud work designed to prevent and detect fraud, as agreed in the Annual Audit Plan.
- Ensure cases of suspected irregularity, fraud or corruption are effectively investigated and punished by appropriate sanctions in liaison with the Police, Legal Services and Human Resources.
- Instigate recovery action wherever possible to recoup the losses on behalf of the Authority.
- Advise management on procedural improvements required to prevent occurrence or recurrence of fraud.
- Develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies.

8. Human Resources

- Provide timely advice and guidance on Authority Policies and procedures during investigations and any disciplinary action
- Ensure recruitment procedures to be applied by Managers are effective in the verification and validation of information submitted by applicants prior to appointment, e.g. eligibility to work, verification of qualifications and employment history, Disclosure & Barring Service checks where appropriate.

9. Director of Legal Services

- Advise Members of new legislative or procedural requirements regarding conduct and ethical matters.

- Maintain a register of Members and Officers interests, gifts and hospitality declared.
- Maintain and operate a Whistleblowing Policy and Procedure, including monitoring for take-up.
- Take criminal and civil actions to ensure appropriate sanctions are applied.
- Provide advice on potential criminal cases.

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Appendix 1

Known Fraud Risks remaining significant

Fraud Risk	Prevention Measures
<p><u>Procurement</u></p> <ul style="list-style-type: none"> Tendering issues, split contracts (value disaggregated to circumvent thresholds), double-invoicing, price-fixing, bid rigging, cartels. Spanning whole period from agreeing a project to contract monitoring, extensions and re-letting. Inflated claims by consultants. 	<ul style="list-style-type: none"> Create a procurement fraud map, defining stages that fraud can happen and highlighting low, medium and high potential risks. Suppliers' Code of Practice. Monitoring patterns of spending with suppliers. Authorised staff to sign contracts.
<p><u>Payroll</u></p> <ul style="list-style-type: none"> False employees, fraudulent overtime, allowance and expenses claims. 	<ul style="list-style-type: none"> Strict controls on setting up of new staff, use of Authorised Signatories list, monthly payroll pre-checked & authorised prior to payment run.
<p><u>Grants</u></p> <ul style="list-style-type: none"> Work not carried out, funds diverted, ineligibility not declared. False application or payment of grants to any person, agency or organisation. 	<ul style="list-style-type: none"> Regular monitoring of progress and outputs. Audit reports to confirm funds expended in line with Grant Offer Letters.
<p><u>Internal fraud</u></p> <ul style="list-style-type: none"> Any employee might perpetrate fraud against his or her employer and delegation of responsibilities to officers brings inherent risks. Diverting monies to a personal account, accepting bribes, working elsewhere while claiming to be off sick, wrongfully claiming benefit while working, failing to declare conflicts of interest or acceptance of gifts and hospitality. Staff pre-employment fraud, where false information given to gain employment. Stealing property and selling it on for personal gain. 	<ul style="list-style-type: none"> Proper and adequate vetting, strong management-led anti-fraud culture. Managers should be made aware of their role in preventing and identifying employee fraud, ensuring clear controls and separation of duties. Employee Code of Conduct signposted as part of induction process.
<p><u>Debt fraud</u></p> <ul style="list-style-type: none"> Fraudulently avoiding a payment of debt to the Authority. 	<ul style="list-style-type: none"> Official Write Off policy and procedure.

<u>Mandate fraud</u> <ul style="list-style-type: none"> Change to a direct debit or bank transfer mandate by fraudster purporting to be an organisation you make regular payments to, for example, a subscription or membership organisation or business supplier. 	<ul style="list-style-type: none"> Centralised supplier maintenance team responsible for creating, validating and reviewing new supplier set-up. Strict controls over authority to set up new suppliers and approve same-day payments. Purchasing permission levels to raise purchase orders.
<u>Manipulation of data fraud</u> <ul style="list-style-type: none"> Most commonly, employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. 	<ul style="list-style-type: none"> Employee's Code of Conduct & Data Protection/Security Policies and training.
<u>Concessionary travel scheme</u> <ul style="list-style-type: none"> Use of concession by ineligible person, bus operator claims. 	<ul style="list-style-type: none"> Prevention measures undertaken using data analytics where possible.

Emerging / Increasing Fraud Risks

<u>Cyber dependent crime</u> <ul style="list-style-type: none"> Enables a range fraud types resulting in diversion of funds, creation of false applications for payments.
<u>Money laundering</u> <ul style="list-style-type: none"> Exposure to suspect transactions.
<u>Insurance fraud</u> <ul style="list-style-type: none"> False claims made against the Authority or its insurers.
<u>Commissioning of services</u> <ul style="list-style-type: none"> Including joint commissioning, third sector partnerships - conflicts of interest, collusion
<u>Adult Education Budget</u> <ul style="list-style-type: none"> Significant new expenditure on grants/commissioned services

Appendix 2

WECA's Fraud Response Plan

