

Public Document Pack

Date of meeting Monday, 16th April, 2012
Time 7.00 pm
Venue Committee Room 1. Civic Offices, Merrial Street,
Newcastle-under-Lyme, Staffs ST5 2AG
Contact Julia Cleary

Audit and Risk Committee

AGENDA

PART 1– OPEN AGENDA

- 1 Apologies**
- 2 DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 MINUTES OF PREVIOUS MEETINGS** (Pages 1 - 4)
To consider the minutes of the meeting of this Committee held on 30 January 2012.
- 4 Corporate Risk Management Report** (Pages 5 - 14)
- 5 External Audit Plan 2011/12** (Pages 15 - 36)
- 6 Code of Corporate Governance** (Pages 37 - 50)
- 7 Updates to the Council's Anti-Fraud and Corruption Framework** (Pages 51 - 88)
- 8 Audit Commission Report - Protecting the Public Purse 2011** (Pages 89 - 104)
- 9 Anti Money Laundering Policy** (Pages 105 - 120)
- 10 REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE**
To receive a presentation from the Council's Audit Manager.
- 11 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors D Richards (Chairman), S Blair (Vice-Chair), E Boden, D Loades, P Waring and G Snell

'Members of the Council: If you identify any personal training / development requirements from the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Committee Clerk at the close of the meeting'

Officers will be in attendance prior to the meeting for informal discussions on agenda items.

AUDIT AND RISK COMMITTEE

Monday 30 January 2012

Present:- Councillor D Richards – in the Chair

Councillors Blair, Boden, Loades and Waring

Also in attendance Councillor A Howells – Portfolio Holder
Messrs D Jenkins and T Corcoran – Audit Commission

1. APOLOGIES FOR ABSENCE

An apology was received from Councillor Snell.

2. DECLARATIONS OF INTEREST

There were none.

3. MINUTES OF PREVIOUS MEETINGS

Resolved:- That the minutes of the meeting of this committee held on 14 November 2011 be approved as a correct record.

4. CORPORATE RISK MANAGEMENT REPORT FOR PERIOD OCTOBER TO DECEMBER 2011

The Committee considered a report outlining progress made by the Council in enhancing and embedding risk management for the above period, including progress made in managing the identified corporate risks.

Members were also reminded that the Council regularly reviewed and refreshed its risk registers in accordance with the risk management strategy and were provided with details of the Council's most significant risks and, where appropriate, details of the progress made towards mitigating these risks. This had resulted in the risk concerning bad debts to the Council being downgraded.

The report also responded to issues raised at the last meeting about data protection, community centre insurance and Gatedale and included a section on horizon scanning highlighting upcoming or current legislation that may have an impact on the Council. Of particular concern to the Committee was the proposal in the Localism Bill offering increased discounts to tenants applying to purchase their housing association dwellings resulting in the Council receiving less money from sales in those cases where the occupants had been Council tenants at the time of the transfer of their properties to Aspire.

Resolved:- (a) That the progress being made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers where applicable be noted.

(b) That the Committee note the new risks that have been identified between October to December 2011.

(c) That the horizon scanning risks listed to bear in mind when making decisions on reports submitted to committees and the effect it may have on the future of the Council be noted.

(d) That the concerns expressed about the reduced income from the sale of former Council houses as indicated above be dealt with in the Corporate Risk Management Report to be submitted to the next meeting.

5. COMMUNITY CENTRE MANAGEMENT COMMITTEES - CLARIFICATION OF RESPONSIBILITIES

In response to a request made by the Chair, consideration was given to a report clarifying the current division of responsibilities between the Council and the various community centre management committees. The report had been requested by the Chair following the recent health and safety breaches at one of the Council's community centres.

It was indicated that although there were no formal agreements in place in relation to the use of community centres and the responsibilities of the Council and management committees, an informal arrangement had been in place since 1996 stating:-

- (i) The Council is responsible for maintaining the fabric of the building, including the roof, roof timbers, walls, doors, window frames, electrical gas and water systems, internal and external decorations together with all of the required tests under the statutory testing regime (which includes matters such as gas appliance testing, electrical system testing and, where applicable, legionella testing.
- (ii) The Management Committee is responsible for all other maintenance and repair which includes glass to windows, floor coverings, light bulbs, crockery, furniture and curtains.

The Committee was advised that a comprehensive review of community centres was currently being undertaken by the officers that would seek to address the full range of issues around the operation of the centres including the formalisation and clarification of the responsibilities of local management arrangements for each of them.

Resolved:- (a) That the information be received:-

(b) That the respective management committees be advised of the work currently being undertaken to formalise the division of responsibilities relating to the operation of the Council's Community Centres.

(c) That the issue of management of community centres be included in the Risk Register for consideration at the next meeting of this Committee.

6. ANNUAL AUDIT LETTER 2010/11

A report was submitted relating to the Annual Audit Letter from the Audit Commission dealing with the Audit of Accounts for 2010/11.

The Audit Commission's Annual Letter summarised the conclusions and significant issues arising from the audit and inspection of the Council for 2010/11 and, once

again, the Commission had issued a very positive report referring to the Council's continued success in managing its finances well.

In respect of the Commission's value for money conclusion, the Auditor gave an unqualified opinion stating that he was satisfied that the Council had, in all respects, made proper arrangements for securing value for money. The Commission had also issued an unqualified opinion on the financial statements for 2010/11 indicating that they contained few errors, that was better than many councils nationally who had experienced difficulties with the introduction of the International Financial Reporting Standards (IFRS).

Resolved:- That the Audit Commission's Annual Letter be received.

7. CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT

Consideration was given to a report recommending acceptance of the Audit Commission's Annual Report in respect of the Certification of Claims and Returns for the Borough Council for 2010/11.

Resolved:- That the Audit Commission's Annual Report on the Certification of Claims and Returns be received.

8. INFORMATION SECURITY DVD - "THE DOMINO EFFECT"

The Committee viewed the above DVD that emphasized the importance of protecting all information assets within the custody of the Council.

It was indicated that all members of staff had been shown the DVD and that further training on protective marking would be delivered at a later date.

Resolved:- That the information be received and that consideration be given to showing the DVD to all Members of the Council.

9. QUARTERLY REPORT: ADOPTION OF INTERNAL AUDIT FUNDAMENTAL RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 OCTOBER TO 31 DECEMBER 2011

Consideration was given to a report on outstanding fundamental recommendations and providing Members with assurance opinion on internal controls over Council services.

In the third quarter there were five high risk recommendations due for review, all of which had previously had one target date change and, as such, reported separately to the Chair and Vice Chair of the Committee.

It was also indicated that at the end of the above quarter all Directorates were showing substantial assurance.

Resolved:- That the actions of the officers and levels of assurance be noted.

10. INTERNAL AUDIT PROGRESS REPORT QUARTER 3 2011/12

The Committee received a report regarding the work undertaken by the Internal Audit section during the period 1 October to 31 December 2011.

Up to the end of December 2011, 827 recommendations had been made of which 746 had been implemented (90%), the target being 96% by the end of the year and it was indicated that due to the follow up work completed by the audit team during quarter 3 there had been a considerable improvement on the recommendations implemented during that quarter (the figure quoted on quarter 2 being 83%).

The annual target for the percentage of audits completed by year end was 90% and to date 45% of the planned audits had been completed against an expectation of 40%.

Resolved:- That the report be received.

11. INTERNAL AUDIT PLAN 2012/13

The Committee received a report advising Members of the proposed Internal Audit Plan for 2012/13 and seeking approval of its contents. The Committee was also asked to approve reporting arrangements for performance against the 2012/13 proposed Plan.

The Plan provided for 534 audit days based on a full risk assessment of each audit area which considered expenditure, income, management controls, operational procedures, political and legislative influences and the risk of fraud.

The work was to be undertaken by the Internal Audit staff as identified at the beginning of the year.

Resolved:- (a) That the Internal Audit Plan for 2012/13 be approved.

(b) That the reporting arrangements as set out in the report be continued.

12. REVIEW OF INTERNAL AUDIT STRATEGY AND THE INTERNAL AUDIT SECTION TERMS OF REFERENCE 2012-2015

Consideration was given to a report seeking approval to the revised Internal Audit Strategy and Terms of Reference which had been received as part of the Audit Planning process for 2012/13.

The updated strategy covered the period 2012 to 2015 as set out on how Internal Audit would contribute to the Council's review of corporate governance arrangements, risk management processes, key internal control systems and how assurance for the annual statements on internal control would be demonstrated. It also established the resources and skills required for its delivery and allocation of audit work.

The Terms of Reference for Internal Audit had also been reviewed and updated in accordance with the Code of Internal Audit Practice.

Resolved:- That the Internal Audit Strategy 2012 to 2015 and the Internal Audit Section's Terms of Reference be approved in their revised forms.

D RICHARDS
Chair

Agenda Item 4

CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD - JANUARY TO MARCH 2012

Submitted by: Head of Business Improvement and Partnerships

Portfolio: Customer Services and Transformation

Ward(s) affected: All

Purpose of the Report

To provide an update to Members of the progress made by the Council in enhancing and embedding risk management for the period January to March 2012, including progress made in managing the identified corporate risks.

Recommendations

The Committee is asked to:-

- (a) Scrutinise the progress that has been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers where applicable.**
- (b) Note the new risks that have been identified between January to March 2012.**
- (c) Identify, as appropriate, risk profiles to be scrutinised in more detail as part of your responsibility at the next meeting.**
- (d) Note the horizon scanning risks listed to bear in mind when making decisions on reports submitted to committees and the effect it may have on the future of the council.**

Reasons

The risk management process previously adopted by the Council has been reviewed to incorporate changes in the way the Council works and to provide continuity and streamlined reporting of risks to the necessary stages so that it becomes further embedded at each level of the authority. This will further develop the identification of key risks that potentially threaten the delivery of the corporate priorities. The new strategy will provide a formal and proportionate framework to manage these identified risks and thus reduce the council's exposure.

To assist the Council in its corporate ambition of being an excellent council by helping deliver effective corporate governance, this proactive approach also helps demonstrate good risk management in terms of evidencing that effective risk management is further embedded with the corporate business processes.

1. Background

- 1.1 The Council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the Council's software for recording and managing risk.

The Council currently reviews its High Red 9 risks at least monthly and its Medium Amber risks at least quarterly.

The last review of these risks was reported to your Committee in January 2012.

Risk owners are challenged by the Risk Champions in respect of controls, further actions, ratings and emerging risks and challenge reasons for inclusion or non-inclusion and amendment of these.

Projects are managed to a high level in relation to risk and are reviewed in accordance with the risk management strategy – monthly.

2. **Issues**

2.1 **Strategic, Operational, Project and Partnership Risk Registers (Appendices)**

The Council regularly reviews and refreshes its risk registers in accordance with the risk management strategy. This is co-ordinated by the Strategic Risk Champion who works closely with the Directors, Operational Risk Champions and the Risk Owners.

The risk map below shows the descriptions of the ratings, for ease of use.

L I K E L I H O O D	High 3	7 Amber	8 Amber	9 High Red
	Medium 2	4 Green	5 Amber	6 Amber
	Low 1	1 Green	2 Green	3 Amber
		Low 1	Medium 2	High 3
IMPACT				

After the review of the risks had taken place, the following risks have been reduced – through good risk management by your officers, and by the re-rating process.

- Medium and low risk audit recommendations not being implemented has been reduced to a Low 4 risk rating due to the controls in place and the revised internal audit protocol document being reissued in January 2012 to all Heads of Service.

Appendix A now highlights the Council's most significant risks, with the risks that fall into the top line of the ratings only, being reported.

2.2 **Horizon Scanning**

At the last meeting it was requested that a list of legislative developments be provided, either upcoming or current.

Below is a selected list of prospective legislation currently going through Parliament that could have an impact on the Council. The list is not exhaustive, but represents a selection of the major pieces of proposed legislation currently in place or going through Parliament.

An outline of the proposed changes in each of these Bills and the potential impact on the Borough Council has been provided at previous meetings. The list includes: -

- Health and Social Care Act 2012
- Localism Act 2011
- Police Reform and Social Responsibility Act 2011
- Motor Insurance Regulation Bill 2011
- Lord Justice Jackson Reforms (of 'no win, no fee' conditional fee arrangements – the implementation of these reforms has been earmarked for April 2013)

Members are asked to nominate any further areas of legislation they might wish to consider at a future meeting and to consider whether they wish to receive further information on the pieces of legislation listed here.

2.3 **Issues raised at the last meeting**

A number of issues were raised at the last meeting of the Audit and Risk Committee. The following updates can be provided: -

Concerns expressed about the reduced income from the sale of former Council houses be dealt with in the Corporate Risk Management Report at the next meeting

A separate paper on this matter is provided for the Committee at Appendix B.

The issue of management of community centres be included in the Risk Register for consideration at the next meeting of the Audit and Risk Committee

As some members may be aware there is considerable work being undertaken in this area. A separate report is being compiled for discussion and the process is being included on the Council's Forward Plan for inclusion on the agenda for Cabinet in September 2012. Please note that all comments received from the previous meeting will be discussed at this time.

3. **Outcomes Linked to Corporate and Sustainable Community Priorities**

- 3.1 Good risk management is key to the overall delivery of Council and local improvement priorities.

4. **Legal and Statutory Implications**

- 4.1 The Accounts and Audit Regulations 2003 as amended in 2006, state that:

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

5. **Equality Impact Assessment**

There are no differential equality impact issues in relation to this report.

6. **Financial and Resource Implications**

- 6.1 None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members.

7. **List of Appendices**

Appendix A – Significant Risks

Appendix B – Sale of Former Council Houses

8. **Background Papers**

None

		High 9 risks							
		Medium 7 & 8 risks							
		Risks to be deleted from next 1/4 profile							
		Risk reduced from last 1/4 profile							
		New risks							
Risks and Action Plan Risk Identified	Profile	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating	
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 06/01/2012	as at Sept 11	as at Dec 11	as at March 12	
1	Reputational damage	Chief Executive	NONE	Strategic	Although this is identified as a risk, reputation damage is normally a consequence of other risks that have occurred. There are numerous controls in place in this profile, however if this did occur, the impact and likelihood of it happening has resulted in the High Red 9 rating	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9	
2	Potential Claims growth	Chief Executive	Revise operating procedures to ensure they are more robust to defend claims whilst taking into account financial limitations	Jan-12	Strategic	Insurance renewal process currently being undertaken and the claims received are being reviewed to identify what areas seem to be receiving the most claims, in an attempt to change the way the sections work, thereby reducing if possible the number of claims in these areas.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

Appendix X									
Risks and Action Plan Risk Identified	Profile	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating	
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 06/01/2012	as at Sept 11	as at Dec 11	as at March 12	
3	ICT system failure	ICT services	Undertake works to complete a few minor issues, then the area to be made fire retardant	Feb-12	Operational	Minor works such as leaking radiators are outstanding. The fire retardant issues for the area are in hand with the property section to place orders and complete these works	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9
4	Overall budget realisation fails	Resource & Support Services	NONE - this risk is outside of the council's control		Strategic	Numerous controls in place to deal with this internally such as monthly budget reports, MTFS continually reviewed, contingency fund available, realistic increases included in base figures	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9
5	Breach of Data Protection Action	Resource & Support Services	A further training of the government protected marking scheme is to be rolled out across the council following the recent mandatory information security briefings to all staff	Mar-13	Strategic	This risk is currently being controlled - various training sessions have taken place with all staff, guidelines are available, data protection and information security training has taken place, however the overall impact and likelihood ratings have remained high.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

Appendix X								
Risks and Action Plan	Profile	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
Risk Identified		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 06/01/2012	as at Sept 11	as at Dec 11	as at March 12
6	Increase in Fees and Charges does not result in higher income levels	Balances / Contingency Reserve 2012/13	NONE	Project	The control measures in place currently secure this risk as it is, however if any issues arise it is monitored as part of the financial system		I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8
7	Fall in interest rates reduces income to the Council	Balances / Contingency Reserve 2012/13	NONE	Project	This risk is somewhat out of the control of the council		I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8
8	Abuse of email facility	Fraud Awareness	The updated online fraud and corruption data package now contains an elearning training module on misuse of time and resources on email and internet facilities. Roll out then needs to be done to all staff	Mar-13	Operational	The control measures in place currently secure this risk as it is. The rating is low impact, high likelihood but the mailmeter reports sent to Heads of Service allow the corrective measures when required, to be implemented in line with the disciplinary procedures of the council.	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7
9	Failure to achieve service cost savings in 2012/13 and 2013/14	Recycling Strategy	Contract to be legally extended to current contractors	Jan-12	Project	Approval given for the 2 year extension to the current contract	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8
10	Possible receipt of malicious package at the Civic Offices	Customer Services	NONE	Operational	The post opening procedures are kept up to date, however the risk is a low impact, high likelihood	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7

Appendix X									
Risks and Action Plan	Profile	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating	
Risk Identified		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 06/01/2012	as at Sept 11	as at Dec 11	as at March 12	
11	Failure to identify a suitable primary authority business partner	Primary Authority Scheme	Contact with businesses taken place, liaison with SCC to become a partner, undertake separate meetings with businesses to discuss	Dec-11	Project	Following approval by Cabinet, actions were commenced and as of yet, not interest has been shown by businesses or potential partners - no further action being considered. The risk has occurred in effect but the impact on the council is low - risk profile will be closed and archived for the next quarter, with the potential to re-open if necessary	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7
12	Failure of Keele Golf Course to continue trading under current contractor	Regeneration & Development	To clarify the potential contingency arrangements for operating the course on an in-house or interim management arrangement in the event that the current tenant becomes insolvent or divests himself of the responsibility.	Jun-12	Strategic	Continuous monitoring and contact with the current contractor takes place on a monthly basis to establish the situation is in a manageable place for both the council and the contractor			I = 2 L = 3 Medium 8

RIGHT TO BUY CHANGES

1. Background

- 1.1 The Right to Buy (RTB) scheme was introduced in 1980 and gives qualifying social tenants the right to buy their home at a discount. As a stock transfer authority the Council does not have any secure tenants, however tenants who transferred to Aspire Housing retain their right to buy.
- 1.2 At the end of March 2012 the Government announced its planned changes to the Right to Buy scheme taking effect on 2 April 2012.

2. Issues

- 2.1 Tenants must still have been public sector tenants for 5 years before they qualify for the Right to Buy, as our tenants transferred in 2000 they will all continue to qualify.

Current unchanged discount rates are:

- for houses: 35% of the property’s value plus 1% for each year beyond the qualifying period up to a maximum of 60%;
- for flats: 50% plus 2% for each year beyond the qualifying period up to a maximum of 70%.

- 2.2 The changes to the RTB scheme primarily increases the discount cap to £75,000, allowing an even greater number of people to realise their aspiration of home ownership. Importantly this really only affects higher value areas where the discounts take the value of the discount up to £75,000.

3. Examples of RTB Receipts

- 3.1 The table below illustrates the financial aspect of a RTB before the changes were made with the 2011/12 maximum discount.

<u>RIGHT TO BUY 2011/12 example, where the property was valued at £90,000 And a Maximum Discount Of £26,000 Was Given</u>		
	<u>£</u>	<u>£</u>
Sale Receipt		64,000
Less Aspire share -		
Rent Foregone (fixed sum as per schedule)	9,007	
Allowance conveyancing/valuation costs (as per agreement)	1,000	
Increase in RPI from Jan 1998 to date	3,664	
		13,671
NBC share of RTB receipt		50,329
<p>In addition Aspire Housing is invoiced separately for legal costs of each sale (currently £160 + VAT) and £7 bank charge is deducted from every separate sale transfer.</p> <p>The Maximum discount last year before the changes was £26,000.</p>		

3.2 The table below illustrates how the same property would result in less receipts in 2012.

<u>Hypothetical example of RIGHT TO BUY where the house is valued at £90,000 and if the proposed maximum discount* of £54,000 Was Given</u>		
	£	£
Sale Receipt		36,000
Less Aspire share -		
Rent Foregone (fixed sum as per schedule)	9,007	
Allowance conveyancing/valuation costs (as per agreement)	1,000	
Increase in RPI from Jan 1998 to date	3,664	
		13,671
NBC share of RTB receipt		22,329
<p>In addition Aspire Housing is invoiced separately for legal costs of each sale (currently £160 + VAT) and £7 bank charge is deducted from every separate sale transfer.</p> <p>* The maximum discount is 60% for a house which will be activated when the tenant has lived their for 30 years</p>		

The table below shows how a flat with the same value would be discounted if the tenant was eligible for the maximum discount.

<u>Hypothetical example of RIGHT TO BUY where the flat is valued at £90,000 and if the proposed maximum discount* of £63,000 Was Given</u>		
	£	£
Sale Receipt		27,000
Less Aspire share -		
Rent Foregone (fixed sum as per schedule)	9,007	
Allowance conveyancing/valuation costs (as per agreement)	1,000	
Increase in RPI from Jan 1998 to date	3,664	
		13,671
NBC share of RTB receipt		13329
<p>In addition Aspire Housing is invoiced separately for legal costs of each sale (currently £160 + VAT) and £7 bank charge is deducted from every separate sale transfer.</p> <p>* The maximum discount is 70% for a flat which will be activated when the tenant has lived their for 15 years</p>		

4. Conclusion

4.1 It is still too early to estimate how these changes will impact on RTB. The changes may encourage more people to buy their home, however the current economic climate may mean that in the next few years this will be minimised.

EXTERNAL AUDIT PLAN 2011/12

Submitted by: Executive Director – Resources and Support Services

Portfolio: Resources and Efficiency

Ward(s) affected: All

Purpose of the Report

To consider the External Audit Plan for 2011/12 attached as an Appendix.

Recommendation

That the External Audit Plan for 2011/12 be approved.

Reasons

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and corporate governance of public services. The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business and this is reflected in the proposed plan.

1. **Background**

1.1 The Audit Commission's plan for the 2011/12 audit of the Council's financial statements and value for money conclusion is attached as Appendix A. The plan sets out the work that the Audit Commission propose to undertake to satisfy their responsibilities under their Code of Audit Practice. They are required by professional auditing standards to specify the detailed risks that they need to consider as part of their opinion planning work.

2. **Issues**

2.1 The Audit Commission have considered the additional risks that are appropriate to the current audit. These are set out on page 5, table 1 of their plan in relation to the audit of the Council's financial statements and page 8 in relation to the value for money conclusion.

3. **Options Considered**

3.1 Officers have reviewed the plan and agreed to the one attached as an Appendix.

4. **Proposal**

4.1 It is proposed that the Audit Commission's Plan for 2011/12 is approved.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

5.1 The External Audit function gives assurance on the stewardship of public resources and effectiveness of services in terms of value for money as well as contributing to the prevention, detection and investigation of potential fraud and corruption incidents.

6. **Legal and Statutory Implications**

- 6.1 The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's Statutory Code of Audit Practice.

7. **Financial and Resource Implications**

- 7.1 Provision in respect of the fees for the Audit Commission's work for 2011/12 - £120,726 - is contained within the Council's budget estimates.

8. **Major Risks**

The level of fee is based on a number of assumptions contained on pages 12 and 16 of the Audit Plan. If these assumptions are not met then additional audit work may have to be undertaken which could result in an increased audit fee. The Audit Commission will keep the Executive Director (Resources and Support Services) informed of any changes to the plans and therefore the fee.

9. **List of Appendices**

Appendix - Audit Commission's Audit Plan 2011/12.

Audit plan

Newcastle under Lyme Borough Council

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit and Risk Committee, as those charged with governance, of their responsibilities.

Background

I have previously commented that the Council continues to face challenges around its current and future funding having previously identified an estimated funding gap for 2012/13 of £2.5 million. You are on track to make a small deficit, related to deteriorations in income streams, for 2011/12. You are well placed to meet the challenging financial constraints, producing options to manage finances that complement initiatives already taken. The aim of the changes made to services is to produce savings without affecting front-line services and keeping reserves intact.

There are a number of other challenges faced by the Council, such as the impact of localisation of Business Rates and Council Tax Benefit on future funding. These have been taken into account in compiling the 2011/12 Audit Plan.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Council to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering the financial performance of the Council;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Council's information systems.

This plan reports the risks I have identified at the time of reporting. If material risks change or new ones are identified that impact upon my proposed audit plan I will report them separately to the Audit and Risk Committee.

Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.

Table 1: Significant risks

Risk	Audit response
<p>New Leisure Centre - The Council has successfully completed construction of Jubilee 2, a replacement sports and leisure centre for the Jubilee baths. Jubilee 2 formally opened on 7 January 2012 on schedule. The risks relate to the disclosure of this new asset in the financial statements.</p>	<p>I will review the accounting treatment to ensure the accounting transactions are correctly reflected in the accounts.</p>
<p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. As this is the first year of adoption, there is a risk that the Council may not yet have identified and accounted for all the heritage assets it holds.</p> <p>A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. For Newcastle Under Lyme, this is likely to include the exhibits in your museum and other miscellaneous items such as civic regalia.</p>	<p>I will evaluate the management controls you have in place to recognise and value heritage assets. I will also undertake testing to check that the Authority has accounted for heritage assets in accordance with FRS 30 and the Code.</p>
<p>Investment with Icelandic Banks - The Council had an investment of £2.5 million with a United Kingdom regulated subsidiary of an Icelandic Bank at the time of the collapse. There is a risk that as guidance is received, if this is not processed correctly, the financial statements could be misstated. Latest reports confirm that over £1.6 million has been re-paid and indicate that approximately £2.15 million of the investment will be returned over the next few years.</p>	<p>I will ensure the Council has accounted for its Iceland Bank investments correctly and has followed LAAP guidance. The Council has calculated this correctly in the past.</p>

Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have sought to:

- maximise the work I undertake before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 2: Proposed work

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	N/A	General Ledger and Payroll. For all other controls, the assurance will be rolled forward.	N/A	N/A	Fixed assets – existence and rights & obligations. Payroll – review of occurrence and classification.
Final visit	Annual Governance Statement and Internal Audit Manager Opinion	General Ledger year end controls. Payroll establishment reconciliation. Other year end processes and reconciliations.	Pensions assets and liabilities – we will rely on the actuary for asset values and rely on PWC for the information passed to the actuary.	Pensions assets and liabilities – we will rely on the actuary for asset values. Valuation of property, plant and equipment – reliance placed on your Valuer.	All material accounts balances and amounts. Year-end feeder system reconciliations. Year-end review of journals.

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Council's arrangements is based on two criteria, specified by the Commission. These relate to the Council's arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. I have identified the following significant risks that I will address through my work.

Table 3: Significant risks

Risk	Audit response	Separate audit output?
<p>Savings Programme</p> <p>A comprehensive savings programme has been in progress during 2010/11, with detailed work being undertaken to achieve break even for 2011/12 to 2014/15. There is a risk that anticipated savings are not realised or that shortfalls in income occur.</p>	<p>I will review the extent to which you are achieving the savings identified and income is in line with budgeted assumptions.</p>	No

Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	February/ March 2012	N/A
Opinion: receipt of accounts and supporting working papers	30 June 2012	N/A
Opinion: substantive testing	July/August 2012	Annual Governance Report to the Audit and Risk Committee September 2012.
Value for money:	February – August 2012	Summary of findings in Annual Governance Report to the Audit and Risk Committee September 2012.
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

Name	Contact details	Responsibilities
Tony Corcoran District Auditor	t-corcoran@audit-commission.gov.uk 0844 798 4920	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
David Jenkins Audit Manager	d-jenkins@audit-commission.gov.uk 07813 038356	Manages and coordinates the different elements of the audit work. Key point of contact for the Executive Director (Resources and Support Services).

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

The fee for the audit is £120,726 as set out in my letter of 13 April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £120,726 which represents a 5 per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Head of Financial Services and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. As in previous years, I will work with staff throughout the year to identify any specific actions that the Council could take and to provide ongoing audit support.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 6: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	120,726	127,080	6,354
Certification of claims and returns	TBC	23,644	
Non-audit work	0	0	
Total	120,726	150,724	

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 7: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	<p>All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by the date agreed;
 - other information requested within agreed timescales; and
 - prompt responses to draft reports.
- There are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion and conclusion.

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit and Risk Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



CODE OF CORPORATE GOVERNANCE

Submitted by: **Audit Manager**

Portfolio **Resources and Efficiency**

Ward(s) affected **All**

Purpose of the Report

To remind Members of the requirements of the Code of Corporate Governance.

Recommendations

- (a) That the requirements of the Code of Corporate Governance be noted.**
- (b) That a covering letter signed by the Chair and Vice Chair of the Audit and Risk Committee be sent to all Members reminding them that a copy of the Code of Corporate Governance is available in the Members area on the Council's Intranet site**

Reasons

Good Governance is about how local authorities ensure that they are doing the right things, in the right way, for the right people in an open honest and accountable manner. In adopting the Code of Corporate Governance the authority is able to demonstrate that it is committed to ensuring that Good Governance is delivered in every aspect of its business.

1. Background

- 1.1 Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.
- 1.2 Under the Accounts and Audit Regulations 2010, the Authority is required to produce an Annual Governance Statement (AGS). The AGS emphasises the importance of ensuring that the Authority has in place sound governance arrangements and transparent decision making processes
- 1.3 Alongside this requirement to produce the AGS, the Chartered Institute of Public Finance and Accountancy, (CIPFA) along with the Society of Local Authority Chief Executives (SOLACE) produced a framework for developing and maintaining a local Code of Corporate Governance.
- 1.4 The CIPFA/SOLACE framework is intended to be followed as best practice for developing and maintaining a local code of governance and for discharging accountability for the proper conduct of public business. The Governance Framework is based on 6 core principles;
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

2. **Issues**

2.1 Adoption of the CIPFA/SOLACE Delivering Good Governance Framework, means that the Authority has been able to demonstrate that it has:-

- reviewed the Governance arrangements, in line with best practice, and
- the Code of Corporate Governance is regularly reviewed to ensure that remains effective

2.2 The Code of Corporate Governance has been reviewed for the year 2011/12, there have been no updates to the CIPFA/SOLACE framework and therefore no amendments to the Code have been made this time. It is felt that the Code in its present form remains effective in demonstrating that the Council is committed to demonstrating that delivers good governance in all aspects of its business.

2.3 The AGS which is produced alongside the Statement of Accounts will report publicly the extent to which the Authority is complying with our own Code of Corporate Governance. By producing this statement annually the Authority is able to demonstrate how the effectiveness of the governance arrangements have been monitored and report on any improvements or changes it plans to make in the coming year.

3. **Options Considered**

Not applicable

4. **Proposal**

4.1 Code of Corporate Governance is attached as an appendix.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

5.1 The adoption of the Code of Corporate Governance demonstrates that the Authority is complying with the principles of openness and inclusivity, integrity and accountability.

6. **Legal and Statutory Implications**

6.1 The Local Government Act 1999 places a duty on all local authorities to make arrangements to secure continuous improvement in the way that its functions are exercised, having regard to economy, efficiency and effectiveness. In discharging this overall responsibility the authority is also responsible for putting in place proper arrangements for the governance of its affairs.

6.2 It is also a requirement of The Accounts and Audit Regulations 2010 that the Council 'maintains an adequate and effective system of internal control in accordance with the proper internal audit practices'. Alongside this is the requirement to produce an Annual Governance Statement.

7. **Equality Impact Assessment**

There are no differential equality impact issues identified from this proposal.

8. **Financial and Resource Implications**

8.1 There are no resource implications for the AGS or the adoption of the new Code of Corporate Governance. Any resource requirements identified as a result of any action plans being drawn up to address any issues that arise out of the need to ensure compliance with any part of the Code will be brought to members as separate projects.

9. **Major Risks**

9.1 If sound governance arrangements are not in place the Authority is unable to demonstrate that it operates its business affairs in an open, honest and transparent way.

9.2 If sound governance arrangements are not in place, the Authority cannot give assurance that the Services being delivered provide value for money for the Council.

9.3 If sound governance arrangements are not in place managers are exposing their systems, processes and procedures to potential abuse from fraud and corruption.

10. **Key Decision Information**

Not applicable

11. **Earlier Cabinet/Committee Resolutions**

11.1 Code of Corporate Governance – 18 April 2011

12. **List of Appendices**

Appendix A - Code of Corporate Governance

13. **Background Papers**

CIPFA/SOLACE Framework and Guidance Notes – ‘Delivering Good Governance in Local Government.

Local Government Act 1999

Accounts and Audit Regulations 2010

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NEWCASTLE UNDER LYME BOROUGH COUNCIL**CODE OF CORPORATE GOVERNANCE****Introduction**

Good Corporate Governance is about how local authorities ensure that they are doing the right things, in the right way, for the right people in a timely inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local authorities are directed and controlled and through which they account to, engage with and where appropriate lead their communities.

There are four key roles that have been identified as being the business of local authorities:-

- To engage in effective partnerships and provide leadership for and with the community.
- To ensure the delivery of high-quality local services whether directly or in partnership or by commissioning.
- To perform a stewardship role which protects the interests of local people and makes the best use of resources.
- To develop citizenship and local democracy.

In order to demonstrate that the business of local authorities is being conducted to the highest possible standard it needs to develop and maintain six core principles throughout the conduct of all elements of its business. These six core principles are listed below;

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

Each of the core principles identified above has a number of supporting principles which are set out in the authorities Code of Corporate Governance, which is shown as Appendix A. The principles are not mutually exclusive, high standards of conduct are expected as part of every aspect of the business.

Newcastle under Lyme Borough Council is committed to ensuring that the principles of good governance flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff.

By making explicit our high standards of self-governance we aim to provide a lead to potential partners, to the public, private or voluntary sectors and to our citizens. In order to meet this commitment we will aim to observe the Code set out at Appendix A.

Appendix A – Code of Corporate Governance

CORE PRINCIPLE 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

This will include:

- (a) **Exercising strategic leadership by developing and clearly communicating the authority’s purpose and vision and its intended outcome for citizens and service users:**

We will demonstrate this by:

- Developing and promoting the authority’s purpose and vision.
- Reviewing on a regular basis the authority’s vision for the local area and its implications for the authority’s governance arrangements.
- Ensuring that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.
- Publishing an annual report on a timely basis to communicate the authority’s activities and achievements, its financial position and performance.

- (b) **Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning:**

We will demonstrate this by:

- Deciding how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.
- Putting in place effective arrangements to identify and deal with failure in service delivery.

- (c) **Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money:**

We will demonstrate this by:

- Deciding how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.

CORE PRINCIPLE 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles

This will include:

- (a) Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function:**

We will demonstrate this by:

- Setting out clear statements on the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.
- Setting out clear statements of the respective roles and responsibilities of other authority members, members generally and of senior officers.

- (b) Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard:**

We will demonstrate this by:

- Determining a scheme of delegation and reserve powers within the construction, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensuring that this is monitored and updated when required.
- Making a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.
- Developing protocols to ensure that the Leader and Chief Executive (or equivalent) negotiates their respective roles early in the relationship and that a shared understanding or roles and objectives is maintained.
- Making a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- Making a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

- (c) Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other:**

We will demonstrate this by:

- Developing protocols to ensure effective communication between members and officers in their respective roles.
- Setting out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable).
- Ensuring that effective mechanisms exist to monitor service delivery.
- Ensuring that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community

- and other key stakeholders, and that they are clearly articulated and disseminated.
- When working in partnership, ensuring that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.
 - When working in partnership:
 - (i) ensuring that there is clarity about the legal status of the partnership.
 - (ii) ensuring that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

CORE PRINCIPLE 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

This will include:

- (a) Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance:**

We will demonstrate this by:

- Ensuring that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.
- Ensuring that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.
- Putting in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.

- (b) Ensuring that organisational values are put into practice and are effective:**

We will demonstrate this by:

- Developing and maintaining shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners.
- Putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.
- Developing and maintaining an effective standards committee.
- Using the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.
- Pursuing the vision of a partnership, and agreeing a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.

CORE PRINCIPLE 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk

This will include:

- (a) Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny:**

We will demonstrate this by:

- Developing and maintaining an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.
- Developing and maintaining open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
- Putting in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.
- Developing and maintaining an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee.
- Ensuring that effective, transparent and accessible arrangements are in place for dealing with complaints.

- (b) Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs:**

We will demonstrate this by:

- Ensuring that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
- Ensuring that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.

- (c) Ensuring that an effective risk management system is in place:**

We will demonstrate this by:

- Ensuring that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs.
- Ensuring that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access.

- (d) Using their legal powers to the full benefit of the citizens and communities in their area:**

We will demonstrate this by:

- Actively recognising the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.
- Recognising the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law.

CORE PRINCIPLE 5: Developing the capacity of members and officers to be effective

This will include:

- (a) Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles:**

We will demonstrate this by:

- Providing induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.
- Ensuring that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.

- (b) Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group:**

We will demonstrate this by:

- Assessing the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.
- Developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
- Ensuring that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.

- (c) Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal:**

We will demonstrate this by:

- Ensuring that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.
- Ensuring that career structures are in place for members and officers to encourage participation and development.

CORE PRINCIPLE 6: Engaging with local people and other stakeholders to ensure robust public accountability

This will include:

- (a) **Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships:**

We will demonstrate this by:

- Making clear to themselves, all staff and the community to whom they are accountable and for what.
- Considering those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.
- Producing an annual report on the activity of the scrutiny function.

- (b) **Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning:**

We will demonstrate this by:

- Ensuring clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively.
- Holding meetings in public unless there are good reasons for confidentiality.
- Ensuring that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.
- Establishing a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.
- On an annual basis, publishing a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.
- Ensuring that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

- (c) **Making best use of human resources by taking an active and planned approach to meet responsibility to staff:**

We will demonstrate this by:

- Developing and maintaining a clear policy on how staff and their representatives are consulted and involved in decision making.

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UPDATES TO THE COUNCILS ANTI FRAUD & CORRUPTION FRAMEWORK

Submitted by: **Audit Manager**

Portfolio **Resources and Efficiency**

Ward(s) affected **All**

Purpose of the Report

Theft, fraud, corruption and bribery are all criminal offences; the council is committed to the highest standards of integrity and will not tolerate them in any form. By having an anti fraud and anti corruption framework in place this demonstrates our zero approach to tolerance, it is important that the existing framework is constantly reviewed and updated to take into account new legislation, procedures and best practice.

Recommendation

That the Anti-Fraud and Anti-Corruption Framework, the Whistleblowing Policy and the Fraud Response Plan be approved.

Reasons

Members will recall that these policies were presented to committee in November 2011, following updates in respect of the Bribery Act 2010. These have now been reviewed as part of the scheduled annual review to ensure that they remain relevant for the forthcoming financial year. There have been no new legislative changes and therefore the policies remain unchanged.

1. Background

- 1.1 The National Fraud Authority reported in January 2011 that Fraud costs this country an estimated £38 billion, this equates to over £765 per adult per year. The report also went onto say that it is the public sector that is hardest hit by at a cost of £21 billion (55%). The cost to the private sector was £12 billion (31%) followed by individuals at £4 billion (10%) and Charities at £1.3bn (4%).
- 1.2 The policies that this Council has in place demonstrate our commitment to the prevention and detection of Fraud and Corruption and to ensure the highest possible standards of openness, probity and accountability. We encourage people with serious concerns about any aspect of the Council's work to come forward and voice those concerns. The Whistleblowing Policy is intended to encourage and enable people with concerns about a potential fraud or corruption, in any aspect of the Council's work, to raise these with the Council rather than overlooking a problem or raising them with external bodies first.
- 1.3 The Anti- Fraud and Anti-Corruption Framework, the Whistleblowing Policy and Fraud Response Plan are approved annually as part of the Council's Constitution.
- 1.4 The prevention of fraud and protection of the public purse is everyone's business and it is important that all staff know how to recognise a fraud, how to prevent it and more importantly what to do if they suspect they have come across a fraud.
- 1.5 The Anti-Fraud and Anti-Corruption Framework, Whistleblowing Policy and Fraud Response Plan are a range of policies in place that are designed to limit as far as possible the opportunities to commit fraudulent acts, enable such acts to be detected at an early stage

and then deal with any subsequent investigations in a prompt, thorough and professional manner.

2. **Issues**

2.1 The Council is committed to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. These documents demonstrate that it proactively shows a commitment to deterring fraud and corruption and this is actively promoted throughout the organisation.

2.2 In order to demonstrate this commitment the Council has an annual subscription with Public Concern at Work an independent legal charity with over 10 years experience of running a confidential helpline for employees and members. Public Concern at Work has given practical, confidential advice on over 2500 whistleblowing concerns. Their approach is that any concerns that an employee or member has can be raised openly and that the organisation then has an opportunity to investigate and address the concern.

2.3 A Fraud Awareness Guide is available for all Managers; this guide outlines the Borough Council's commitment to the protection of public funds and the necessity for harnessing resources in order to minimise losses arising from fraudulent conduct. The guide gives details of:

- The identification of the types of fraud,
- How fraud occurs,
- Examples of behaviour that might indicate fraud,
- Indicators of potential fraud in a system,
- Advice to management and staff re: fraud and corruption, and
- Reporting of conduct that may be fraudulent

Within the guide is also a Self Assessment checklist for managers to complete for their own service area which will enable them to undertake an assessment of any key areas of risk within in their own area.

2.4 As part of the Council's on going commitment to raising Fraud Awareness an on-line training package was purchased in 2010 and made available to staff via the Council's intranet. This package has recently been updated to incorporate the Bribery Act, Procurement Fraud, and Misuse and Abuse of Time and Resources on Email and Internet Facilities, this was communicated to staff via the February Core Brief issued from EMT and rolled out to staff in March 2012. This training package has now been made mandatory for Executive Directors, Heads of Service, Business Managers and any other member of staff whom a manager considers it appropriate for.

3. **Options Considered**

3.1 To review and adopt these documents ensures and demonstrates that the Council will act with integrity and responsibility in the management and spending of the Publics money.

3.2 Not to adopt these policies would leave the Council open to criticism of not being committed to maintaining high standards in the avoidance and detection of fraud and corruption.

4. **Proposal**

- 4.1 That the Anti- Fraud & Anti-Corruption Framework shown as Appendix A the Whistleblowing Policy shown as Appendix B and the Fraud Response Plan shown as Appendix C be approved in there revised forms

5. **Reasons for Preferred Solution**

As option 3.1 above.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 6.1 The strategies demonstrate that the Council is committed to ensuring the best use of resources and enable the prevention and detection of fraud and corruption at the earliest opportunity. Therefore contributing to it's Corporate Priority of achieving excellence.

7. **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from the proposal.

9. **Financial and Resource Implications**

The cost of an annual subscription to Public Concern at work is £250 per annum plus ten pence per employee, which based on 600 employees makes the total subscription, cost £310.

10. **Major Risks**

- 10.1 The risk of not having these strategies in place would mean that staff have no guidance on what to do in the event that they may suspect that fraud or corruption is being committed. This in turn may hamper any investigation required to yield a satisfactory conclusion.
- 10.2 The existence of these polices mean that staff are informed and given guidance on what actions they should take if they suspect that a fraud is being committed.
- 10.3 A formal risk assessment in respect of Fraud Awareness and the Bribery Act have been completed.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Approval of Council Constitution

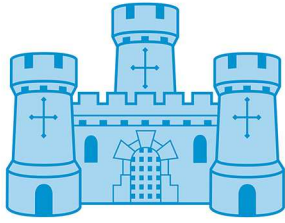
14. **List of Appendices**

Appendix A - Anti-Fraud and Anti-Corruption Framework
Appendix B - Whistleblowing Policy
Appendix C - Fraud Response Plan

Appendix D - Fraud Risk Assessment
Appendix E - Bribery Act Risk Assessment

15. **Background Papers**

Internal Audit Files



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

ANTI-FRAUD & ANTI-CORRUPTION FRAMEWORK

April 2012

NEWCASTLE UNDER LYME BOROUGH COUNCIL**ANTI-FRAUD AND ANTI-CORRUPTION
FRAMEWORK****CONTENTS**

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ANTI-FRAUD AND ANTI-CORRUPTION FRAMEWORK

1.0 INTRODUCTION

Theft, fraud, corruption and bribery are criminal offences. Newcastle Borough Council is committed to protect public funds and ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The Council has a zero tolerance of such offences and offenders.

In carrying out its functions and responsibilities the Council is fully committed to deterring theft, fraud, corruption and bribery whether it is attempted on or from within the Council; and is committed to an effective anti-fraud and corruption strategy designed to:-

- limit, as far as possible, the opportunities to commit fraudulent acts – **prevention**;
- enable any such acts to be **detected** at an early stage; and
- deal with any subsequent **investigations** in a prompt, thorough and professional manner.

2.0 OUR POLICY

Newcastle Borough Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor will it accept bribes or improper inducements, or allow employees or elected members to do so.

Using a third party as a conduit to channel bribes to others is also a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery, nor does it wish to be associated with any organisation that does or has done so. Specifically, this extends to our agents, suppliers, contractors and partner organisations, whether such criminal conduct is associated with business on the Council's behalf or not.

Where there is evidence of theft, fraud, corruption and bribery, the Council will investigate the matter promptly, and will take all appropriate actions to deal with the perpetrators.

This includes, but is not confined to, taking disciplinary action against employees and elected members, and pursuing criminal prosecution on all possible occasions. The Council will not be deterred by threats of adverse publicity or to persons or property, and will publicise cases of successful legal action against perpetrators.

This policy can only be varied with the collective written agreement of the Chief Executive, the Section 151 Officer and the Monitoring Officer.

The Council and all elected members and employees will comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates.

All employees and elected members must follow the policy, and do everything they can to support and promote it. In doing so, they may find the Nolan Principles a valuable aid – see Appendix A.

Different rules and procedures apply to benefits fraud.

There are also specific provisions for money laundering, because of the legal requirement to report this to the Serious and Organised Crime Agency in a closely-defined way.

3.0 OUR STRATEGY

The Council's strategy for implementing its policy consists of five elements:

1 Prevention:

Rules and procedures that make it hard for wrongdoing to take place;

An open, honest culture (explicitly based on the Nolan Principles: see Appendix A) which encourages good behaviours and discourages bad practice;

2 Detection:

Systems that include strong internal checks;

Staff who are alert to the possibility of wrongdoing, and know how to respond to it to minimise losses and maximise the chance of effective action against the perpetrators;

A whistleblowing procedure that allows employees and others to report concerns about the Council;

3 Investigation:

A fraud response plan that sets out how the Council will address any suspected fraud professionally, fairly, efficiently and effectively;

4 Recovery:

The Council will recover losses from perpetrators where possible, and inform insurers under any relevant policy.

5 Retribution:

Procedures to act promptly and effectively to deal with all perpetrators

4.0 EXPECTED BEHAVIOUR

Members and employees must lead by example, acting with integrity at all times and following all legal requirements, rules, procedures and good practice. The Nolan Principles (Appendix A) provide an excellent structure for all actions.

Members and employees must report suspected fraud, corruption or other irregularity **immediately** to the Audit Manager. The only exception is benefits fraud, which they should report to the Benefits Fraud Officer

The Council expects all individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act with integrity in all

dealings with the Council. It will consider what actions are appropriate where they fail to do so, including cancelling contracts.

5.0 CULTURE

All managers must promote an environment in which employees know and understand that dishonest acts will be detected and investigated. They must therefore:

- Always behave in line with the Nolan Principles.
- Participate in in-house training covering fraud, fraud detection and fraud prevention.
- Ensure staff understand that internal controls are designed and intended to prevent and detect fraud.
- Encourage staff to report suspected theft, fraud, corruption or money laundering directly to those responsible for investigation.
- Provide employees with an environment in which they can report suspicions of wrongdoing without fear of retribution.

The Internal Audit and Human Resources Sections will provide support to achieve this.

6.0 IDENTIFYING PROBLEMS

The essence of many theft, fraud, corruption and bribery issues is that no-one recognises them happening. And it can be difficult to be vigilant and observant while being a good and supportive colleague.

In the best organisations, there is a very open culture, in which every employee, at every level, welcomes challenge and curiosity. The most junior staff can ask the most senior why they are doing things in a particular way, and the senior colleague willingly explains because this encourages engagement and learning throughout the organisation.

Appendix 2 gives a number of common fraud indicators. None of them prove wrongdoing – though all are cause for managerial concern. An employee who never takes a holiday may be concealing fraud: but, equally, they may be struggling with parts of their job, and desperately need support.

Therefore, managers finding any of these behaviours should be concerned, and should probe the issues – but they should not assume that fraud or corruption are involved. There may simply be problems to work on and resolve.

Again, in the best organisations, managers treasure their employees, and work hard to support them and enable them to do their jobs and develop themselves to their fullest potential.

7.0 REPORTING SUSPICIONS

If any employee suspects that theft, fraud, corruption or bribery are happening within the Council, or in any activity where the Council has a leading role or responsibility, they should report their suspicions, either to their line manager or through the Council's Whistleblowing Procedure.

Managers should report all such cases to the Audit Manager, and accept advice

on the steps to take over the suspicions in accordance with the fraud response plan.

8.0 INVESTIGATION

All investigations will be carried out in accordance with the Fraud Response Plan, unless they relate to Benefits fraud or money laundering, in which case these will be dealt with in accordance the specific guidance that relates specifically to these areas of work.

9.0 IMPLEMENTING THIS FRAMEWORK

The Chief Executive is ultimately responsible for preventing and detecting theft, fraud, and corruption.

The Corporate Governance Working Group, led by the Section 151 Officer is responsible for developing, reviewing and maintaining an anti-fraud and corruption policy, and for advising on effective internal controls to prevent wrongdoing.

The Chief Executive, Executive Directors and Heads of Service must ensure that all staff follow this strategy, supported by the Council's Internal Audit and Human Resources functions.

The Audit Manager will report on compliance to the Audit and Risk Committee.

All managers are responsible for preventing and detecting fraud. They must, with support from Internal Audit and Human Resources, ensure that they operate effective mechanisms in their area of control to:

- Prevent theft, fraud and corruption
- Promote employee awareness (All staff have a responsibility to prevent, detect and report on any fraud or suspected fraud)
- Assess the risk of fraud
- Take prompt action in line with the Fraud Response Plan when they suspect or are alerted to possible theft, fraud or corruption

There are a number of policies already in place within the Council for preventing, detecting, managing and reporting theft, fraud and corrupt conduct; these include but are not limited to:

- Codes of Conduct for employees and members
- Standing Orders
- Financial Regulations
- Registers of Interests, Gifts and Hospitality
- Disciplinary Rules and Procedures
- The Whistle-blowing Policy
- Fraud Response Plan
- Procurement Strategy
- Risk Management Strategy
- Recruitment procedures (pre-employment vetting, references, etc)
- Anti Money Laundering Policy
- Information Security Management Policies

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Copies of all the policies listed above are available on the Councils intranet under the A-Z of strategies and policies.

10 REVIEW AND DEVELOPMENT OF THIS FRAMEWORK

It is important to keep this framework up-to-date with developments in the law and professional practice. The Audit Manager will therefore coordinate at least an annual review, and report this to the Audit and Risk Committee.

Should any urgent need arise that requires updates to the existing framework then, this will be conducted promptly rather than at the year end.

Appendix A – Nolan Principles

The seven principles of public life;

Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

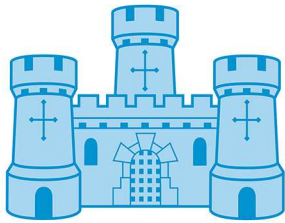
These principles apply to all aspects of public life. The Nolan Committee set them out for the benefit of all who serve the public in any way.

Appendix B – Possible indicators of Fraud

Listed below are a number of common fraud indicators. None of them prove wrongdoing – though all are cause for managerial concern;

- unusual employee behaviour (e.g. a supervisor who opens all incoming mail, refusal to comply with normal rules and practices, fails to take leave, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regular long hours working, job dissatisfaction/ unhappy employee, secretiveness or defensiveness),
- Key documents missing (e.g. invoices, contracts),
- Inadequate or no segregation of duties,
- Absence of controls and audit trails,
- Inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation),
- Excessive variations to budgets or contracts,
- Bank and ledger reconciliations are not maintained or cannot be balanced,
- Excessive movements of cash or transactions between accounts,
- Numerous adjustments or exceptions,
- duplicate payments or large payments to individuals,
- Unauthorised changes to systems or work practices,
- lack of rotation of duties,
- Policies not being followed,
- Post Office boxes as shipping addresses,
- Lowest tenders or quotes passed over with minimal explanation recorded,
- splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval,
- Vague specifications,
- Excessive hours worked by key staff, and
- lack of common sense controls such as changing passwords frequently, requiring two signatures on cheques or restricting access to sensitive areas.

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NEWCASTLE·UNDER·LYME
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WHISTLEBLOWING POLICY

April 2012

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NEWCASTLE UNDER LYME BOROUGH COUNCIL**WHISTLEBLOWING POLICY****CONTENTS**

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WHISTLEBLOWING POLICY

1. WHAT TO DO IF YOU SUSPECT FRAUD OR CORRUPTION

Newcastle Borough Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment it encourages employees and others working with us to raise any concerns they may have about any aspect of the Council's work and come forward and voice those concerns.

We recognise that individuals will sometimes want to express their concerns in confidence.

We would rather be made aware of a problem and deal with it than allow it to lie and become worse.

Council employees and others can raise serious concerns within the Council without fear of reprisal or victimisation. This is usually preferable to any external route.

This policy applies to all employees, agency workers and contractors working on Council premises (for example, cleaners, builders and drivers). It also covers suppliers and those providing services under a contract with the Council in their own premises.

2. AIMS AND SCOPE OF THE POLICY

2.1 This policy aims to:

- provide avenues for you to raise concerns and receive feedback on any action taken,
- allow you to take the matter further if you are dissatisfied with the Council's response, and
- reassure you that you will be protected from reprisals or victimisation for whistle blowing.

2.2 There are existing procedures in place to enable you to lodge a grievance relating to your concerns. That concern may be about something which:-

- is unlawful,
- is against the Council's Standing Orders, Financial Regulations or other policies,
- falls below established standards or practices, or
- amounts to improper conduct.

2.3 This policy supports the Councils Anti-Fraud and Anti Corruption Framework.

3 SAFEGUARDS

3.1 HARASSMENT OR VICTIMISATION

The Council recognises that a decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation and will take action to protect you when you raise a concern.

3.2 CONFIDENTIALITY

The Council will treat all concerns in confidence, and if you wish to remain anonymous we will make every effort to keep your identity confidential. However, in certain cases, we may not be able to deal with an issue unless you are prepared to be a witness.

3.3 ANONYMOUS ALLEGATIONS

This policy encourages you to put your name to an allegation. Concerns expressed anonymously are much less powerful, but they will be considered in an appropriate manner.

In exercising this discretion, the factors to be taken into account would include:

- the seriousness of the issues raised,
- the credibility of the concern, and
- the likelihood of confirming the allegation from attributable sources.

4.0 NOTIFYING A RESPONSIBLE PERSON OF YOUR CONCERNS

4.1 You can raise any concerns initially with Internal Audit on 01782 742122. Correspondence should be addressed to the Audit Manager, Newcastle under Lyme Borough Council, Civic Offices, Newcastle under Lyme, Staffordshire, ST5 2AG and marked 'private and confidential'. Concerns may also be sent to 'whistleblowing@newcastle-staffs.gov.uk'.

4.2 Concerns are best raised in writing. You are invited to set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation. If you do not feel able to put your particular concern in writing, you can telephone or meet with an Auditor. The Auditor notified of individuals concerns must record those concerns taking a statement where they feel it appropriate.

4.3 The earlier you express the concern, the easier it is to take action, and although you will not be expected to prove the truth of the allegation, you will need to be able to demonstrate to the person contacted that there are sufficient grounds for your concern.

4.4 Disclosures may lead to disciplinary procedures and criminal investigations.

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5.0 RESPONDING TO YOUR CONCERNS

- 5.1 The Council will, where possible, protect the identity of a notifying individual and not reveal their source at any time during the investigation
- 5.2 The action taken by the Council will depend on the nature of the concern. The matters raised may:-
- be investigated internally,
 - be referred to the Police,
 - be referred to the external auditor, or
 - form the subject of an independent investigation.
- 5.3 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of specific procedures (for example suspected housing benefit fraud) will normally be referred for consideration under those procedures.
- 5.4 Some concerns may be resolved by agreed action without the need for an investigation.
- 5.5 Within 10 working days of a concern being received, the Council will write to you:-
- acknowledging that the concern has been received,
 - indicating how it proposes to deal with the matter,
 - giving an estimate of how long it will take to provide a final response,
 - telling you whether any initial enquiries have been made, and
 - telling you whether further investigations will take place, and if not, why not.
- 5.6 The amount of contact between the officers considering the issues and you, will depend upon the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.
- 5.7 The Council may ask you to attend a meeting to explore the issues surrounding the concern raised.
- 5.8 The Council will take steps to minimise any difficulties that you may experience as a result of raising a concern
- 5.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations.

6.0 HOW THE MATTER CAN BE TAKEN FURTHER

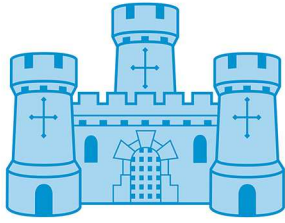
- 6.1 This policy is intended to provide you with an avenue to raise concerns with the Council. The Council hopes that you will have confidence in using the Whistle-blowing procedure, however, if you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:-

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- the District Auditor, Audit Commission, 2nd Floor, No. 1 Friarsgate, 1011 Stratford Road, Solihull, West Midlands, B90 4EB, or the Police.
- Public concern at work, 0207 404 6609 are a registered charity set up to give free independent advice to anyone who may have concerns. They have qualified legal staff to give help and advice.

7.0 THE RESPONSIBLE OFFICER

The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. A record will be maintained of all concerns raised together with the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Council.



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

FRAUD RESPONSE PLAN

April 2012

1. Introduction

- 1.1 The Fraud Response Plan defines the way that Newcastle Borough Council applies its various policies and procedures to suspected theft, fraud and corruption.
- 1.2 It fits in with various other documents, most notably the Policy and procedure on theft, fraud, corruption and bribery.
- 1.3 The procedures for dealing with suspected money laundering are different from other problems – see the Money Laundering policy and procedure for the necessary actions.
- 1.4 Different rules also apply to Benefits Fraud – see item 2.4 below.
- 1.5 The aim of this Plan is to provide a toolkit for dealing with problems, and rapid access to expert advice. This fraud response plan guides managers on how to react to suspicions of fraud, theft, corruption and bribery.
- 1.6 Additionally, it gives an outline of how investigations will be progressed, and managers' possible role in this. The latter part is intended to give a feel for how matters will progress to give confidence in the process. It is not a D-I-Y guide to fraud investigation!
- 1.7 Any suspected frauds at Newcastle Borough Council should be reported to the **Audit Manager** at the earliest opportunity.

2. Purpose of the Fraud Response Plan

- 2.1 The Fraud Response Plan is designed to ensure timely and effective action in the event of suspected fraud to:
 - minimise fraud by taking prompt action
 - prevent further losses where fraud has occurred
 - manage consequences for other staff, including sudden changes in workload, altered duties and adverse staff reactions to investigation work
 - maximise recovery of losses
 - identify the perpetrators and maximise the success of any disciplinary and legal action taken
 - ensure the accuracy and integrity of evidence for successful disciplinary and court action
 - manage any adverse publicity for the organisation
 - maximise positive publicity when frauds are discovered and dealt with effectively
 - identify lessons to be learned to improve fraud management
 - ensure a fair and consistent response to suspected frauds
 - deter others from fraud that they may be contemplating

The dealing with a suspected fraud

- 2.2 Senior managers have a primary responsibility for preventing, detecting and investigating.

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- 2.3 However, it is always vital that evidence is preserved and suspicions are not aroused, and **the first action must always be to contact the Audit Manager (ext. 2122 or 01782 742122) for advice and support.**

This will allow the Audit Manager to:

- provide initial advice on investigation process and procedure;
 - collate the information with all other known issues, which may suggest specific approaches to investigation;
 - jointly with Human Resources, decide on actions needed in relation to any employee potentially involved (such as suspension to protect evidence), and agree these with the head of service;
 - log the event in the Council's Fraud Register
 - report appropriately to Chief Executive, Section 151 Officer, the Monitoring Officer and Executive Management Team.
- 2.4 The only exception to this is where the matter is clearly related to the benefits system. In such cases, refer the matter direct to the Benefits Fraud section, who will handle the whole case.
- 2.5 If the Audit Manager identifies that a suspicion raised under this procedure may relate to money laundering, the Audit Manager will take the necessary actions under the Anti-money laundering policy and procedure, and advise the manager accordingly.

Initial enquiries

- 2.6 Where it is appropriate to do so, the Audit Manager may advise the manager to make discreet initial enquiries promptly to determine if there actually does appear to be an irregularity, provided that;
- they can do so **without alerting the perpetrator** to the investigation; and
 - they have sufficient experience to do so.

During this initial enquiry the manager should:

- determine the factors that gave rise to the suspicion
 - examine the factors to determine whether a genuine mistake has been made or whether an irregularity has occurred
 - make a written record of the alleged irregularity (access to this document should be restricted e.g. not held in an 'open area' of the network)
 - secure any relevant documentation/records (if this can be done without alerting the perpetrator)
- 2.7 The manager **should not** interview staff at this stage.

Scope of the investigation

- 2.8 The manager, Human Resources and the Audit Manager will agree the way forward, in consultation with the Section 151 Officer, the Monitoring Officer and the head of service.

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- 2.9 They will consider whether to involve other agencies at this point (e.g. Police, HM Revenue & Customs, Audit Commission, the Department for Work and Pensions, the National Anti-Fraud Network, the Serious and Organised Crime Agency, and other councils). Such contact will be through the Audit Manager, at least initially.
- 2.10 The Internal Audit Team will usually conduct all fraud investigations. However, where the Audit Manager is confident that an investigation can be undertaken by the service (i.e. staff have the experience and ability to complete the investigation successfully, and are clearly not involved in the irregularity) the Audit Manager will provide advice and guidance to the nominated Investigating Officer.
- 2.11 The Audit Manager will consult the relevant people to determine the next steps. The exact format is fluid – it is sometimes appropriate to convene a meeting, and on other occasions it will be sensible to hold a series of one-to-one meetings or 'phone calls.

As a minimum, consultations will involve:

- the manager
- the Section 151 Officer
- the Head of Human Resources
- the Head of Service

Additionally, they may consult:

- the police
- the Chief Executive
- the Head of Communications
- Her Majesty's Revenues and Customs
- The District Auditor
- any other relevant person or body

Often, the initial consultations will define the list of further consultees, and the list will remain fluid and subject to revision as the investigation develops.

The consultations will include specific consideration of whether it is necessary to suspend one or more employees to protect evidence, colleagues or assets.

Conducting the investigation

- 2.12 Whilst conducting the investigation, the Audit Manager will ensure:-
- The investigation is completed promptly.
 - compliance with legislation on interviewing (Police and Criminal Evidence Act, PACE) and surveillance (Regulation of Investigatory Powers Act, RIPA). However, it is not normally necessary, even when there may be a criminal offence, to conduct interviews under PACE rules. The police can re-interview witnesses and suspects later on in the process.
 - All evidence is recorded, ensuring that it is sound and adequately supported (see further guidance below).
 - written records of all fact-finding meetings are retained.
 - Any Email correspondence relating to the investigation is discreet and use an agreed 'case name' rather than real names or locations. All sensitive

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attachments should be password protected (or, preferably, not emailed). Emails will be protectively marked *Protect – Staff*

- All evidence is held and stored securely, with appropriate restriction to access (both manual and electronic documentation) (see further guidance below).
 - confidentiality and discretion is maintained throughout, information will only be shared on a “need to know” basis. In particular, be mindful that senior officers may need to hear disciplinary cases, and therefore should not know details of cases.
 - Where appropriate, contact other enforcement agencies e.g. Police, HM Revenue & Customs. This should be always enacted via Internal Audit as they have established lines of communication and referral protocols.
 - Investigators must not accept any offer of repayment of money or resignation at any stage, as this could prejudice the investigation. Any such offers should, however, be recorded in interview notes, and passed on to the head of service for consideration (in conjunction with the HR Manager).
- 2.13 The Council has the right to suspend any employee involved pending the outcome of an investigation. Suspension does not imply guilt but suspension can prevent the removal or destruction of vital evidence. When suspects are not suspended, supervision will usually need to be increased. Advice will always be sought from Human Resources on suspensions and any subsequent disciplinary action.
- 2.14 The Internal Audit Manager will report losses to the Council’s Insurance Team at the earliest stage.
- 2.15 Some organisations always delay internal disciplinary procedures pending police action on criminal offences, and dismiss employees after a court case. Explicitly, Newcastle Borough Council will pursue disciplinary matters at once, in order to remove wrongdoers from the payroll as rapidly as is possible using proper process.
- 2.16 This is because we cannot afford to pay people to sit at home and be investigated over an extended period.
- 2.17 Additionally, the Council recognises that many theft, fraud, corruption and bribery matters will involve clear gross misconduct matters which will not constitute prosecutable crimes, because of the definition of crimes under relevant acts, and because of levels of evidence.

Key objectives at this stage;

- 2.18 Prevent further losses.
- 2.19 Secure evidence of the fraud to allow the Council to pursue successful disciplinary action and prosecution.
- 2.20 Assess the likely extent of losses.
- 2.21 Recover funds where possible.

Next steps

- 2.22 Report the results of the initial enquiry to Internal Audit. They may give further advice on more work needed, or other actions to be taken. As before, this may be in consultation with a variety of other employees and external agencies.
- 2.23 Give Internal Audit the evidence that you have collected and tell them what you have already done (e.g. suspended employees, changed procedures or impounded IT equipment).
- 2.24 Internal Audit or the police may carry out further investigations, if the case is more complex than it appeared at first.

3. Evidence

It is essential that evidence is preserved and retained securely, the following steps should be followed;

- Remove all relevant original documents and store them securely. Record the date of removal, any noteworthy circumstances, and where they are stored. Replace documents needed for everyday use (e.g. till rolls and receipt books) with new ones to prevent unnecessary disruption to services. **Original documents and certified copies** provide the best evidence
- For computer systems, consider access rights, and change or suspend access to preserve evidence. (See below for more on ICT evidence.)
- In all cases, take care not to compromise evidence by doing or allowing anything that may deface or alter the evidence, particularly in ways that may alter the evidential value (such as punching filing holes that chop out a date or signature).
- You must also take care that evidence is always secure, so that there is no opportunity for damage or changes. This is known as preserving the chain of evidence. If there is a break, such as leaving a document out on a desk unattended, it could compromise a prosecution.
- Where you have to use a copy, endorse it as a copy and, if possible, certify it (i.e. sign and date on the back) as a true copy of the original, preferably by the person who took the copy from the original source document. Use of copies is increasingly common with document management systems, where documents are scanned and then destroyed.
- Minimise handling of documents to protect forensic evidence, such as fingerprints. Put them in clear plastic wallets to protect them, and to avoid the need to punch filing holes in them. This avoids the possibility of damaging key pieces of evidence.
- **Information held on IT equipment** provides evidence of the records at a particular time and may demonstrate that a fraud has been committed. It is important that the IT equipment is secured as soon as possible. Please contact the **Audit Manager** for advice in relation to this. Any printouts of data and exception reports can be useful, so should be retained, these together with hard copies should be timed, dated and signed by the investigator.

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- Suspend suspects and prevent their access to Council buildings, remove their access rights to IT networks and systems and change all relevant passwords, PIN numbers etc.
- **Physical evidence** is necessary when the investigation arises from an apparent discrepancy in cash, stores or other assets. A physical count of the cash, stores or assets is necessary to record the actual value of the cash/stores present at a fixed point in time.
- All **cash** held by the person should be counted at the same time (to prevent the same cash being presented more than once to cover a shortage). The cash count should include a detailed analysis of cash by denomination and any cheques, receipts and IOUs. The count should be checked by two people and the results signed and dated by both.
- Ask the employee under investigation if there is any more cash (e.g. at their home) and check this immediately to prevent subsequent reinstatement.
- All **stocks and stores** need to be counted if there is a suspicion of theft of assets. A full stock check, including opening all boxes to ensure they contain the goods they are supposed to, should be undertaken. Stock totals should be signed and dated by two investigators. If there are similar stores in other locations controlled by the suspect, then these need to be checked simultaneously to avoid stocks being moved between different stores to hide discrepancies.
- **Observation and surveillance** can be used to identify exactly what is happening to physical assets (e.g. stores being loaded into private cars). **Seek guidance from Internal Audit before any surveillance**, who will also consult the Council's Legal service. Specific surveillance must be proportionate, and authorised under the Regulations of Investigatory Powers Act 2000 (RIPA).
- Relevant **CCTV footage** may be available. In addition, if any form of access system is in use, it may establish who was where and when.
- If videos are to be used in evidence they should have the date and time continuously displayed. For the same reasons as for IT equipment, preserve the original tape intact as evidence for possible use in court and disciplinary hearings. Make a copy of the video and only view the copy during the investigation.

4. Lack of evidence

- 4.1 The Council will not investigate allegations that are unsupported by evidence.
- 4.2 This is because pursuing vague, mischievous or malicious allegations of theft, fraud, corruption and bribery would waste time on unnecessary and unfocussed investigations, and could lead to suspension of innocent staff, undermining corporate culture and morale.

5. Review outcomes

- 5.1 The Audit Manager will meet regularly with managers to review progress and determine further actions needed. Consultation with other officers will be undertaken as and when this is necessary. They will report progress to all relevant officers.

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- 5.2 The Council's policy is to refer theft, fraud or corruption to the police for investigation and prosecution whenever possible. However, it's important to remember that the evidence for a successful prosecution must prove a case beyond all reasonable doubt, while disciplinary cases (including dismissal for gross misconduct) are decided on the balance of probabilities.
- 5.3 The Audit Manager will consult the Section 151 Officer, the Monitoring Officer, Head of Service, and the Human Resources Manager to determine whether any matter should be referred to the Police for criminal investigation.
- 5.4 The Head of Service must remedy control weaknesses identified during the course of an investigation. Internal Audit will provide advice and support on effective controls, and will ultimately include these in a report (though implementation should not be delayed until the report is issued!)
- 5.5 The Audit Manager will cascade general points, issues and advice wider across the Council.
- 5.6 Internal Audit will record all final outcomes on the theft, fraud, corruption and bribery register. This information informs future prevention strategies, and is used in reporting fraud and corruption at the Council.
- 5.7 In all cases the Council's insurers should be informed of actual losses as soon as these have been firmly established. It is sensible to keep External Audit informed. Media and Communications will be kept informed that publicity can be properly managed.

6. Recover losses

- 6.1 There are a variety of methods which can be used to recover losses. Methods used depend upon the extent of the losses, the seriousness of the fraud/corruption and whether the response is disciplinary action, legal action or both.
- 6.2 If the case is going to court, the Council can seek a compensation order.
- 6.3 Some cases will be covered by the Council's fidelity guarantee insurance.
- 6.4 The question should not be **whether** the Council can recover the loss, but **how** it will do so.

7. Contact numbers

Internal Audit – 01782 742122
Public Concern at Work – 0207 404 6609

"Where the document has blanks for the further actions and risk owner - these are risks that are applicable to all service areas and as such have been incorporated into the operational risk assessments for all Heads of Service in order that they can be managed and controlled accordingly"

Fraud

Risk Identified	Description	Potential Consequences	Impact Likelihood	Risk Rating	Control Measure	Final Impact Likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Fraud Awareness Abuse of email	Staff using email for personal use or sending inappropriate email	Misappropriation of Council time. Reputation damage.	High	High	Acceptable use policy signed by staff Code of Conduct for Officers and Members Information Security Policies Mail meter reports sent to Heads of Service	Low	Low			
Postal voting fraud	Voting fraud for elections	Elections become null and void. Financial implications. Reputation damage. Resource issues.	High	High	Registrations and applications vetted Review of process Training of staff for postal opening Electoral Commission checks undertaken	Low	Low			
Theft of income	Theft of income generally, from all income streams	Misappropriation of funds. Criminal investigation. Reputation damage.	High	High	Issue of receipts for income Two people open post CRB checks undertaken References taken for new employees Regular independent reconciliation of income taken to income expected Regular banking and banking checks Compliance with cash handling, instructions and financial regulations Income collection systems - separation of duties	Low	Low			
Fraudulent benefit claims	Fraudulent benefit claims for housing and council tax benefit. Fraudulent benefit claims by NBC staff	Misappropriation of funds. Criminal investigation. Reputation damage.	High	High	Verification by benefit assessors Checks of details by verification framework officers Benefit investigators Fraud awareness training to all staff National Fraud Initiative (NFI)	Low	Low	Review resource allocation in respect of fraud investigation	Baker, Dave (Head of Revenues & Benefits)	30/09/12

Risk Count: 33

Risk Identified	Description	Potential Consequences	Impact Likelihood	Risk Rating	Control Measure	Final Impact Likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Fraud Awareness										
Failure to recover money	Failure to recover money due to suppressing debtor or equivalent accounts	Misappropriation of funds. Criminal investigation. Reputation damage.	High	High	Laid down procedures Exception reporting Debtors system - separation of responsibilities Recovery procedures exception reporting	2	5	Process to be looked at for BACS	Baker, Dave (Head of Revenues & Benefits)	31/03/12
Fraudulent letting or extension of contracts	Fraudulent letting or extension of Council contracts due to collusion or corruption	Criminal investigation. Reputational damage. Possible breach of OJEC rules. Third Party involvement.	High	High	Central register of contracts is maintained by the Procurement Officer Code of Conduct for Officers and Members Procurement Officer in post Procurement toolkit IDEa training Standing Orders Financial Regulations Final Account Audit undertaken Procurement Briefings Anti-Fraud and Anti-Corruption Policy Network security policy Training - on computer security Access controls Information Security Policies	3	3			
Unauthorised access to computer systems for fraudulent use	Staff can gain inappropriate access to computer systems and alter data for personal gain	Loss of data. Corruption of data. Financial gain. Reputational damage. Failure to work. Loss of Government Connects authorisation. Criminal investigation.	High	High	Valuations of land for sale Financial Regulations Standing Orders Capital Asset Accountant Capital Asset Working Group Cabinet approval of sale of land Robust screening process	3	3			
Corruption in sale of land	Receiving personal gain for sale of land	Abuse of position. Abuse of public office. Criminal investigations. Financial implications. Officers open to bribery & corruption.	High	High	Independent check of performance indicator statistics / data Password protected performance system	3	3			
Falsification of performance indicators	Incorrect or manipulated data is used to produce performance indicators	Public perception reduced. Reputation damage. Inaccurate benchmarking measurements used.	High	High		3	3			

Risk Count: 33

Risk Identified	Description	Potential Consequences	Impact likelihood	Risk Rating	Control Measure	Final Impact likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Fraud Awareness	Fraudulent invoices or claims paid by the Authority	Misappropriation of funds. Criminal offences. Reputational damage.	ad	E	Agresso purchase order processing Training for budget holders Financial Regulations Creditors system - separation of duties / responsibilities Budget monitoring Contract monitoring Annual core system audit National Fraud Initiative (NFI) Large cheques have to be signed individually Regular software checks done re valid list of suppliers.	3	1	3		
Fraudulent use of Corporate Credit Cards	Credit cards used for personal use	Misappropriation of funds. Criminal investigation. Reputation damage.	ad	E	Training - on Corporate Credit Card system Compliance with Credit Card procedures Review of policies Monthly review of transactions and suppliers Responsibilities formally allocated and agreed by cardholder Credit Card - regular review of procedures by Internal Audit Credit Card - separation of duties £500 limit on a transaction	1	2	4		
Fraudulent use of investment money	Fraudulent use of investment money by Treasury Management staff	Insurance implications. Increase cost in insurance premium. Abuse in position. Abuse of public office. Financial implications. Reputation damage.	ad	E	Annual audit of treasury management Treasury Management meetings Fidelity guarantee insurance for designated officers Treasury Management - statutory / professional guidance	2	1	2		

Risk Count: 33

Risk Identified	Description	Potential Consequences	Impact Likelihood	Risk Rating	Control Measure	Final Impact Likelihood	Final Risk Rating	Further Action Required	Owner	Target Date	
Fraud Awareness											
Agency staff claiming hours not worked	Agency staff submitting inaccurate timesheets or claiming hours they have not worked	Misappropriation of funds. Criminal investigation. Reputation damage.	c	H	Audit review procedures and recommendations made Cashiers audit Line manager checks hours worked Use of timekeeper system	1	1				
Theft from vulnerable people	Theft by staff from vulnerable people e.g. almshouses, welfare funeral homes	Misappropriation of funds. Criminal investigation. Reputation damage. Abuse of position. Abuse of public office.	b	H	CRB checks undertaken Code of Conduct for Officers and Members Receipts given for valuables Proper and safe handover procedures	1	1				
Theft of cash in transit	Theft of cash whilst being transferred from one establishment to another	Misappropriation of funds. Criminal investigation. Reputation damage.	c	H	Reducing cash transactions Audit review procedures and recommendations made Cash in transit - staff training Varying routes and drop off points, times etc Cybertrack phone issued to relevant staff Handled by securitor / G4S	1	1				
Subletting of NBC properties	Letting of NBC properties for personal gain	Abuse of position. Abuse of public office. Criminal investigation.	c	H	Accurate details of premises to let Clear instructions to staff Reconciliation of income Management checks of properties	1	1				
Abuse of telephones	Abuse of landline phones and mobile phones by staff	Misappropriation of funds. Criminal investigation. Reputation damage. Misappropriation of Council time.	e	M	Mobile phone provider System in place for identifying personal calls and text messages Telephone usage policy (corporate) in place Register of interests Regular telephone reports to management	1	1				

Risk Count: 33

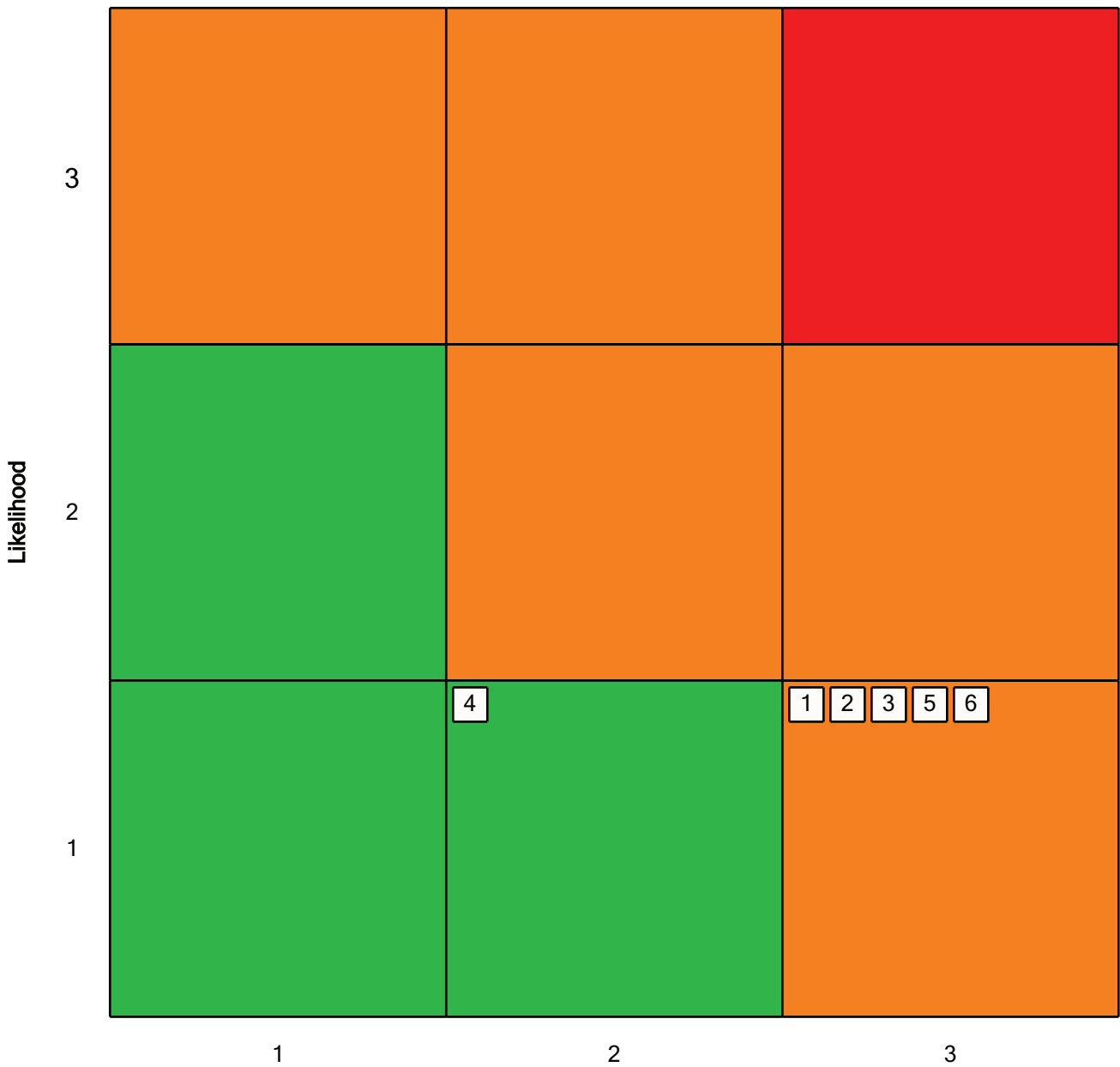
Risk Identified	Description	Potential Consequences	Impact likelihood	Risk Rating	Control Measure	Final Impact likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Risk Count: 33										
Fraud Awareness										
Abuse of postage system	Abuse of postage and franking system by staff	Misappropriation of funds. Criminal investigation. Reputation damage.	e	M	Management check of postage costs Budget monitoring Protocols set for handling of post	1	1			
Abuse of internet	Staff using internet for personal use and viewing inappropriate sites	Misappropriation of Council time. Reputation damage.	d	H	Acceptable use policy signed by staff Code of Conduct for Officers and Members WebSense categories for certain web pages	1	1			
Payments to ghost employees	Payments to fictitious employees via payroll	Misappropriation of funds. Criminal investigation. Reputation damage.	b	H	Budget monitoring Payroll - Separation of duties Review of payroll processes Review of payroll system Recruitment policy and process Audit undertaken NFI checks completed annually	1	1			
Fraudulently trading for personal gain	Officers working for personal gain, including unauthorised work and private work. Abuse of position	Misappropriation of funds. Criminal investigation. Reputation damage. Abuse of public office.	a	E	Code of Conduct for Officers and Members National Fraud Initiative (NFI) Register of interests Checks by management	1	1			
HR policies do not deter fraudulent behaviour	Not enough preventative controls or proactive action taken to deter fraud	Insurance implications. Financial implications. Criminal investigation. Reputation damage.	b	E	Review of policies Disciplinary process Relevant stakeholders involved in review of processes Anti-Fraud and Anti-Corruption Policy Whistleblowing policy Managers Guide on Fraud Related policies in place	1	1			
Fraudulent job application forms	Information contained in job application forms is fraudulent e.g. qualifications, job history, CRB checks	Inappropriate appointment. Security implications. Insurance implications. Financial implications. Criminal investigation. Reputation damage.	b	E	Obtain evidence of qualifications Obtain references HR involvement	1	1			

Risk Identified	Description	Potential Consequences	Impact Likelihood	Risk Rating	Control Measure	Final Impact Likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Fraud Awareness										
Fraudulent non attendance at work	Employees fraudulently not attending work e.g. fraudulent sick leave, extra holidays, flexitime, evening and weekend work, remote working	Abuse of contract. Abuse of public office. Abuse of position.	Low	High	Recruitment policy and process Identity checks carried out Checks of time by management Reconciliation of leave Compliance with management of attendance policy for sickness Review of management of attendance policy Audit of management of attendance Occupational Health to assist return to work Whistleblowing policy	Low	Low			

Risk Count: 33

Risk Map Bribery Risk Assessment

*as at 10/08/11



No.	Risk Identified	Control Measure	Final Risk Rating	Risk Count:
	Bribery Act 2010			6
1	Transaction risk	Standing Orders Financial Regulations Procurement Framework Third Sector commissioning framework Policies reviewed annually Member Code of conduct	3	

No.	Risk Identified	Control Measure	Final Risk Rating	Risk Count:
	Bribery Act 2010			6
2	Country risk	Employee Code of conduct Code of Corporate Governance Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy Standing Orders Financial Regulations Procurement Framework Treasury Management Policy Policies reviewed annually Member Code of conduct Employee Code of conduct Code of Corporate Governance Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy	3	
3	Business opportunity risks	Procurement Framework Standing Orders Financial Regulations Project Management based on Prince 2 Review of Project management methodology Member Code of conduct Employee Code of conduct Code of Corporate Governance Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy	3	
4	Sectoral risks	Standing Orders Financial Regulations Procurement Framework Member Code of conduct Employee Code of conduct Code of Corporate Governance Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy	2	
5	Business partnership risks	Partnership Code of Practice	3	

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No.	Risk Identified	Control Measure	Final Risk Rating	Risk Count:
	Bribery Act 2010	Procurement Framework Standing Orders Financial Regulations Member Code of conduct Employee Code of conduct Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy Code of Corporate Governance		6
6	Internal risks	Member Code of conduct Employee Code of conduct Code of Corporate Governance Financial Regulations Standing Orders Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy Procurement Framework Partnership Code of Practice Third Sector commissioning framework	3	

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AUDIT COMMISSION REPORT – PROTECTING THE PUBLIC PURSE 2011

Submitted by: Liz Dodd, Audit Manager

Portfolio: Resources and Efficiency

Ward(s) affected: All

Purpose of the Report

To inform Members of the report published by the Audit Commission in November 2011 entitled 'Protecting the Public Purse 2011.

Recommendation

That the report be noted.

Reasons

The publication reports on the key risks and pressures facing Councils and identifies good practice in fighting fraud and identifies where we should be reviewing our current arrangements.

1. Background

- 1.1 This is the third report produced by the Audit Commission in relation to the key fraud risks and pressures facing local authorities and identifies good practice in fighting fraud. The first report of this type was published in September 2009.
- 1.2 The prevention and detection of fraud and protection of the public purse is everyone's business and as part of this report the Audit Commission are urging local authorities to review existing policies, procedures and arrangements that are currently in place to prevent and deter fraud from occurring.
- 1.3 A full copy of the report can be made available upon request. The report also included a checklist to be used by local authorities to review and assess their current arrangements. This checklist has been completed and an action plan has been drawn up of the steps that are now required to reinforce the current arrangements that are already in place. A copy of this checklist can be found at Appendix A.

2. Issues

- 2.1 The Authority already has a set of policies and procedures in place, that help to prevent and deter fraud occurring. These policies are reviewed annually against best practice and ensure that as an organisation we proactively encourage all officers and members to raise any concerns that they may have.
- 2.2 There is also 'A Fraud Awareness Guide' that is made available to Managers; this guide outlines the Council's commitment to the protection of public funds and the necessity for harnessing resources in order to minimise losses arising from fraudulent conduct. The guide gives details of;
 - The identification of the types of fraud,
 - How fraud occurs,

- Examples of behaviour that might indicate fraud,
- Indicators of potential fraud in a system,
- Advise to management and staff re: fraud and corruption, and
- Reporting of conduct that may be fraudulent

Managers are asked to complete and review this Self Assessment checklist for their own service area on an annual basis; these completed checklists are then used to help inform the audit planning process.

- 2.3 The council also has an on-line training package in relation to Fraud and Corruption, this training package which has been tailored to the councils own policies and procedures is made available to all staff via the Internal Audit Section on E Voice. This package demonstrates the council's commitment to ensuring staff awareness and training in relation to fighting fraud. The training package has recently been updated to include the Bribery Act, Procurement Fraud and a section on Misuse and Abuse of Time and Resources on the Council's Email and Internet Facilities. This training package is now also mandatory for all Executive Directors, Heads of Service, Business Managers and anyone else that a manager feels this is appropriate to.

3. **Options Considered**

- 3.1 To review our current arrangements against this report and checklist ensures and demonstrates that the Council will act with integrity and responsibility in the management and spending of the Public's money.
- 3.2 Not to review our current procedures and policies could leave the Council open to criticism of not being committed to maintaining high standards in the avoidance and detection of fraud and corruption.

4. **Proposal**

- 4.1 That the report together with the completed checklist and action plan be noted.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 5.1 The adoption of the guidance provided in the report and completion of the checklist and action plan arising from this helps to demonstrate that the Council is committed to ensuring the best use of resources and enable the prevention and detection of fraud and corruption at the earliest opportunity, therefore contributing to its Corporate Priority of achieving excellence

7. **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from the proposal.

9. **Financial and Resource Implications**

There are no financial or resource implications have been identified at this point in time, any issues that arise from the action plan will be brought back to a later committee.

10. **Major Risks**

10.1 A full risk assessment in respect of Fraud has been completed and is attached as an Appendix.

11. **Key Decision Information**

None

12. **Earlier Cabinet/Committee Resolutions**

None

14. **List of Appendices**

Appendix A - Completed Checklist
Appendix B - Risk Assessment

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**PROTECTING THE PUBLIC PURSE 2011 – CHECKLIST FOR THOSE
RESPONSIBLE FOR GOVERNANCE**

		Yes	No	Comments
General				
1.	Do we have a zero tolerance policy towards fraud?	√		The authority has a zero tolerance to Fraud, this is demonstrated in the policies detailed below.
2.	Do we have the right approach, and effective counter-fraud strategies policies and plans? Have we aligned our strategy with 'Fighting Fraud Locally'	√		There is a range of polices in place; Anti Fraud and Anti Corruption Framework Whistle blowing Policy, Fraud Response Plan, and Anti Money Laundering Policy. The fighting fraud locally strategy will be launched early April 2012.
3.	Do we have dedicated counter-fraud staff?		√	There are dedicated resources only in respect of Housing and Council Tax Benefit Fraud,
4.	Do counter fraud staff review all the work of our organisation?		√	There is no dedicated resource that covers all aspects of the organisation. Any cases that arise and investigations that take place are usually completed by Internal Audit. Dependant upon the nature of the investigation this may be referred to outside organisations such as the Police. In addition we have an informal arrangement in place for sharing services with a neighbouring authority to assist with resources in the event of a large scale investigation etc.
5.	Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	√		Feedback is given as part of regular performance monitoring reports and management reports issued

APPENDIX A

			following the completion of investigations.
	Have we assessed our management of counter-fraud resources against good practice?	√	Best practice ideas and issues arising from investigations are discussed and shared (in confidence) via the Staffordshire Chief Auditors Group this helps to ensure that our current procedures are in line with good practice.
7.	Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • New staff (including agency staff)? • Existing staff? • Members? • Contractors 	√	In February 2012 we went live with an on-line training package in relation to Fraud & Corruption which was rolled out to all staff via the Audit pages on the Councils intranet site
8.	Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	√	We are Members of the Midlands Fraud Forum and The Local Authority Investigations Group (LAIOG). In addition the Audit Manager is part of the Staffordshire Chief Auditors basis which meets on a regular basis, there is a standing agenda item in respect of current fraud issues
9.	Do we work well with other organizations to ensure we effectively share knowledge and data about fraud and fraudsters?	√	There are joint working arrangements with the Department of Work and Pensions in respect of Housing Benefits, and in addition we have an Information Sharing Protocol that identifies single points of contacts within partner organisations such as the police to enable information and data to be shared.
10.	Do we identify areas where internal controls may not be performing as intended? How quickly do we take action?	√	There is a risk based audit plan produced on an annual basis. Audits review the controls that are in place and identify any significant weaknesses.
11.	Do we maximize the benefit of our participation in the Audit Commission NFI and receive reports on the matches investigated?	√	Reports provided under the NFI are reviewed and appropriate action taken in respect of the findings from these.
12.	Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	√	There is an Anti Money Laundering Policy together with procedures and guidelines that have been issued to all relevant staff. Training in these procedures has also

APPENDIX A

			been delivered.
13.	Do we have effective whistleblowing arrangements?	√	We have a Whistle Blowing Policy that is reviewed and updated annually, reminders are issued to all staff and a poster campaign has been used to raise awareness. We also subscribe to Public Concern At Work who are an independent charity that provides a Whistle Blowing hotline for employees to report any concerns
14.	Do we have effective fidelity insurance arrangements?	√	There are adequate insurance arrangements in place that are reviewed annually
Fighting Fraud with reduced resources			
15.	Have we reassessed our fraud risks since the change in the financial climate?	√	Fraud Risk Assessment are completed and reviewed annually to ensure that all risks are constantly reviewed in light of the current economic climate
16.	Have we amended our counter-fraud action plan as a result?	√	Counter Fraud Plans are reviewed and reported annually to Audit & Risk Committee
17.	Have we reallocated staffing as a result?		√ Staff resources are reviewed and monitored and if the need arose for additional resources arrangements are in place with neighboring authorities who could assist with investigations etc.
Current Risks and Issues			
Housing Tenancy			
18.	Do we take proper action to ensure that we only allocate social housing to those who are eligible?	N/A	Not applicable to the Borough Council albeit all applicants are required to provide proof of identity as part of the application process.
19.	Do we take effective action to ensure that social housing is occupied by those to whom it is allocated?	N/A	Not applicable to the Borough Council as a non-stock holding authority. The landlord is responsible for enforcing tenancy conditions.
Procurement			
20.	Are we satisfied that procurement controls are working as intended?	√	These are regularly tested as part of routine audits, should any shortfalls be identified these are reviewed, evaluated and corrective actions agreed.
21.	Have we reviewed our contract letting procedures since the	√	Contract standing orders which contain the contract

investigations by the Office of Fair Trading into cartels and compared them with best practice?			letting procedures are reviewed on a regular basis. Due consideration is given to guidance from the office of Government Commerce.
Recruitment			
22. Are we satisfied our recruitment procedures achieve the following: <ul style="list-style-type: none"> • Prevent us employing people working under false identities, • Confirm employment references effectively; • Ensure applicants are eligible to work in the UK; and • Require agencies supplying us with staff to undertake the checks we require? 	√		These have also been reviewed in the light of the need to fulfill the requirements of the Governments Code of Connection.
Personal Budgets			
23. Where we are expanding the use of personal budgets for social care, in particular direct payments, have we introduced proper safe guarding proportionate to risk and in line with recommended good practice?	N/A		Not applicable
24. Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	N/A		Not applicable in respect of Personal Budgets, however the Councils Whistleblowing policy does apply to everyone and is available on the Councils website.
Council Tax			
24. Are we effectively controlling the discounts and allowances we give to council taxpayers?	√		There are systems and procedures in place to deal with discounts and allowances
Housing and Council Tax Benefits			
25. In tackling housing and council tax benefit fraud do we make full use of: <ul style="list-style-type: none"> • National Fraud Initiative; • Department for Work and Pensions Housing Benefit Matching Service; • Internal data matching; and 	√		The council actively partakes in the NFI, has arrangements in place with the DWP in respect of HBMS and shares data internally with other departments/services. At present there is a project underway with all Staffordshire authorities to share data in respect of Single Persons discount; this project will

<ul style="list-style-type: none">• Private sector data matching?			involve data matching with the private sector.
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"Where the document has blanks for the further actions and risk owner - these are risks that are applicable to all service areas and as such have been incorporated into the operational risk assessments for all Heads of Service in order that they can be managed and controlled accordingly"

Fraud

Risk Identified	Description	Potential Consequences	Impact Likelihood	Risk Rating	Control Measure	Final Impact Likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Fraud Awareness Abuse of email	Staff using email for personal use or sending inappropriate email	Misappropriation of Council time. Reputation damage.	High	E	Acceptable use policy signed by staff Code of Conduct for Officers and Members Information Security Policies Mail meter reports sent to Heads of Service	1	7			
Postal voting fraud	Voting fraud for elections	Elections become null and void. Financial implications. Reputation damage. Resource issues.	High	E	Registrations and applications vetted Review of process Training of staff for postal opening Electoral Commission checks undertaken	3	6			
Theft of income	Theft of income generally, from all income streams	Misappropriation of funds. Criminal investigation. Reputation damage.	High	E	Issue of receipts for income Two people open post CRB checks undertaken References taken for new employees Regular independent reconciliation of income taken to income expected Regular banking and banking checks Compliance with cash handling instructions and financial regulations Income collection systems - separation of duties	2	5			
Fraudulent benefit claims	Fraudulent benefit claims for housing and council tax benefit. Fraudulent benefit claims by NBC staff	Misappropriation of funds. Criminal investigation. Reputation damage.	High	E	Verification by benefit assessors Checks of details by verification framework officers Benefit investigators Fraud awareness training to all staff National Fraud Initiative (NFI)	2	5	Review resource allocation in respect of fraud investigation	Baker, Dave (Head of Revenues & Benefits)	30/09/12

Risk Count: 33

Risk Identified	Description	Potential Consequences	Impact Likelihood	Risk Rating	Control Measure	Final Impact Likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Fraud Awareness										
Failure to recover money	Failure to recover money due to suppressing debtor or equivalent accounts	Misappropriation of funds. Criminal investigation. Reputation damage.	High	High	Laid down procedures Exception reporting Debtors system - separation of responsibilities Recovery procedures exception reporting	2	5	Process to be looked at for BACS	Baker, Dave (Head of Revenues & Benefits)	31/03/12
Fraudulent letting or extension of contracts	Fraudulent letting or extension of Council contracts due to collusion or corruption	Criminal investigation. Reputational damage. Possible breach of OJEC rules. Third Party involvement.	High	High	Central register of contracts is maintained by the Procurement Officer Code of Conduct for Officers and Members Procurement Officer in post Procurement toolkit IDEa training Standing Orders Financial Regulations Final Account Audit undertaken Procurement Briefings Anti-Fraud and Anti-Corruption Policy	3	3			
Unauthorised access to computer systems for fraudulent use	Staff can gain inappropriate access to computer systems and alter data for personal gain	Loss of data. Corruption of data. Financial gain. Reputational damage. Failure to work. Loss of Government Connects authorisation. Criminal investigation.	High	High	Network security policy Training - on computer security Access controls Information Security Policies	3	3			
Corruption in sale of land	Receiving personal gain for sale of land	Abuse of position. Abuse of public office. Criminal investigations. Financial bribery & corruption.	High	High	Valuations of land for sale Financial Regulations Standing Orders Capital Asset Accountant Capital Asset Working Group Cabinet approval of sale of land Robust screening process	3	3			
Falsification of performance indicators	Incorrect or manipulated data is used to produce performance indicators	Public perception reduced. Reputation damage. Inaccurate benchmarking measurements used.	High	High	Independent check of performance indicator statistics / data Password protected performance system	3	3			

Risk Count: 33

Risk Identified	Description	Potential Consequences	Impact likelihood	Risk Rating	Control Measure	Final Impact likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Fraud Awareness	Fraudulent invoices or claims paid by the Authority	Misappropriation of funds. Criminal offences. Reputational damage.	Medium	High	Aggresso purchase order processing Training for budget holders Financial Regulations Creditors system - separation of duties / responsibilities Budget monitoring Contract monitoring Annual core system audit National Fraud Initiative (NFI) Large cheques have to be signed individually Regular software checks done re valid list of suppliers.	Low	Medium			
Fraudulent use of Corporate Credit Cards	Credit cards used for personal use	Misappropriation of funds. Criminal investigation. Reputation damage.	Medium	High	Training - on Corporate Credit Card system Compliance with Credit Card procedures Review of policies Monthly review of transactions and suppliers Responsibilities formally allocated and agreed by cardholder Credit Card - regular review of procedures by Internal Audit Credit Card - separation of duties £500 limit on a transaction	Low	Medium			
Fraudulent use of investment money	Fraudulent use of investment money by Treasury Management staff	Insurance implications. Increase cost in insurance premium. Abuse in position. Abuse of public office. Financial implications. Reputation damage.	Medium	High	Annual audit of treasury management Treasury Management meetings Fidelity guarantee insurance for designated officers Treasury Management - statutory / professional guidance	Low	Medium			

Risk Count: 33

Risk Identified: Fraud Awareness
 Risk Count: 33

Description	Potential Consequences	Impact Likelihood	Risk Rating	Control Measure	Final Impact Likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Agency staff claiming hours not worked	Misappropriation of funds. Criminal investigation. Reputation damage.	c	H	Audit review procedures and recommendations made Cashiers audit Line manager checks hours worked Use of timekeeper system	1	1			
Theft from vulnerable people	Misappropriation of funds. Criminal investigation. Reputation damage. Abuse of position. Abuse of public office.	b	H	CRB checks undertaken Code of Conduct for Officers and Members Receipts given for valuables Proper and safe handover procedures	1	1			
Theft of cash whilst being transferred from one establishment to another	Misappropriation of funds. Criminal investigation. Reputation damage.	c	H	Reducing cash transactions Audit review procedures and recommendations made Cash in transit - staff training Varying routes and drop off points, times etc Cybertrack phone issued to relevant staff Handled by securitor / G4S	1	1			
Subletting of NBC properties	Abuse of position. Abuse of public office. Criminal investigation.	c	H	Accurate details of premises to let Clear instructions to staff Reconciliation of income Management checks of properties	1	1			
Abuse of telephones	Misappropriation of funds. Criminal investigation. Reputation damage. Misappropriation of Council time.	e	M	Mobile phone provider System in place for identifying personal calls and text messages Telephone usage policy (corporate) in place Register of interests Regular telephone reports to management	1	1			

Risk Identified	Description	Potential Consequences	Impact Likelihood	Risk Rating	Control Measure	Final Impact Likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Risk Count: 33										
Fraud Awareness										
Abuse of postage system	Abuse of postage and franking system by staff	Misappropriation of funds. Criminal investigation. Reputation damage.	e	M	Management check of postage costs Budget monitoring Protocols set for handling of post	1	1			
Abuse of internet	Staff using internet for personal use and viewing inappropriate sites	Misappropriation of Council time. Reputation damage.	d	H	Acceptable use policy signed by staff Code of Conduct for Officers and Members WebSense categories for certain web pages	1	1			
Payments to ghost employees	Payments to fictitious employees via payroll	Misappropriation of funds. Criminal investigation. Reputation damage.	b	H	Budget monitoring Payroll - Separation of duties Review of payroll processes Review of payroll system Recruitment policy and process Audit undertaken NFI checks completed annually	1	1			
Fraudulently trading for personal gain	Officers working for personal gain, including unauthorised work and private work. Abuse of position	Misappropriation of funds. Criminal investigation. Reputation damage. Abuse of public office.	a	E	Code of Conduct for Officers and Members National Fraud Initiative (NFI) Register of interests Checks by management	1	1			
HR policies do not deter fraudulent behaviour	Not enough preventative controls or proactive action taken to deter fraud	Insurance implications. Financial implications. Criminal investigation. Reputation damage.	b	E	Review of policies Disciplinary process Relevant stakeholders involved in review of processes Anti-Fraud and Anti-Corruption Policy Whistleblowing policy Managers Guide on Fraud Related policies in place	1	1			
Fraudulent job application forms	Information contained in job application forms is fraudulent e.g. qualifications, job history, CRB checks	Inappropriate appointment. Security implications. Insurance implications. Financial implications. Criminal investigation. Reputation damage.	b	E	Obtain evidence of qualifications Obtain references HR involvement	1	1			

Risk Identified	Description	Potential Consequences	Impact Likelihood	Risk Rating	Control Measure	Final Impact Likelihood	Final Risk Rating	Further Action Required	Owner	Target Date
Fraud Awareness										
Fraudulent non attendance at work	Employees fraudulently not attending work e.g. fraudulent sick leave, extra holidays, flexitime, evening and weekend work, remote working	Abuse of contract. Abuse of public office. Abuse of position.	Low	High	Recruitment policy and process Identity checks carried out Checks of time by management Reconciliation of leave Compliance with management of attendance policy for sickness Review of management of attendance policy Audit of management of attendance Occupational Health to assist return to work Whistleblowing policy	Low	Low			

Risk Count: 33

ANTI MONEY LAUNDERING POLICY

Submitted by: **Audit Manager**

Portfolio **Resources and Efficiency**

Ward(s) affected **All**

Purpose of the Report

The Anti Money Laundering Policy outlines the Council's commitment to creating an anti-fraud culture, and maintaining high ethical standards in its administration of public funds.

Recommendation

That the Anti Money Laundering Policy be approved.

Reasons

The public is entitled to expect the Council to conduct its affairs with integrity, honesty and openness, and to demand the highest standards of conduct from those working for it. This policy is reviewed and updated as necessary on an annual basis.

1. Background

- 1.1 The Council has a suite of policies in place that demonstrates our commitment to the prevention and detection of Fraud and Corruption and to ensure the highest possible standards of openness, probity and accountability. This policy forms part of this suite.
- 1.2 The Anti-Money Laundering Policy is designed to limit as far as possible the opportunities to commit fraudulent acts, enable such acts to be detected at an early stage and then deal with any subsequent investigations in a prompt, thorough and professional manner. It also recognises its responsibilities under the various legislation including the Terrorism Act 2000, Proceeds of Crime Act 2002, Money Laundering Regulations 2007 and Fraud Act 2006, and subsequent regulations.
- 1.3 Money laundering is a general term for any method of disguising the origin of "dirty" or criminal money. This money may be the proceeds of any criminal activity including terrorism, drugs trafficking, corruption, tax evasion, and theft. The purpose of money laundering is to hide the origin of the dirty money so that it appears to have come from a legitimate source. Unfortunately no organisation is safe from the threat of money laundering, particularly where it is receiving funds from sources where the identity of the payer is unknown. It is, therefore, possible that Council may be targeted by criminals wishing to launder the proceeds of crime.

2. Issues

- 2.1 The Council is committed to protecting public funds and to ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. This document demonstrates that it proactively shows a commitment to deterring fraud and corruption and this is actively promoted throughout the organisation.

2.2 Guidance is available for all Managers; this guide outline's the Borough Council's commitment to the Anti Money Laundering Policy. The guide gives details of what to look for and what to do in the event that they suspect any form of suspicious transaction.

2.3 Training has previously been provided with regards to the guidelines that were in place, further training will be provided on the policy and a copy will be made available to all staff via the intranet.

3. **Options Considered**

3.1 To review and adopt this document ensures and demonstrates that the Council will act with integrity and responsibility in the management and spending of the Publics money.

3.2 Not to adopt this policy would leave the Council open to criticism of not being committed to maintaining high standards in the avoidance and detection of fraud and corruption.

4. **Proposal**

4.1 That the Anti- Money Laundering Policy attached as an appendix be noted.

5. **Reasons for Preferred Solution**

As option 3.1 above.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

6.1 The strategies demonstrate that the Council is committed to ensuring the best use of resources and enable the prevention and detection of suspected money laundering at the earliest opportunity. Therefore contributing to its Corporate Priority of achieving excellence.

7. **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from the proposal.

9. **Financial and Resource Implications**

9.1 There are no finance or resource implications arising from the adoption of the Anti Money Laundering Policy, any training to be delivered will be met from existing staff resources.

10. **Major Risks**

10.1 The risk of not having this policy in place would mean that staff have no guidance on what to do in the event that they may suspect money laundering. This in turn may hamper any investigation required to yield a satisfactory conclusion.

10.2 The existence of this policy mean that staff are informed and given guidance on what actions they should take if they suspect that a suspicious transaction is taking place.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Not applicable

14. **List of Appendices**

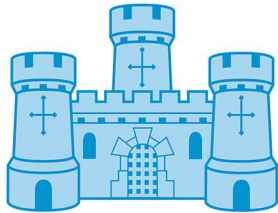
Appendix - Anti Money Laundering Policy

15. **Background Papers**

Internal Audit Files

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NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

Anti-Money Laundering Policy

April 2012

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NEWCASTLE UNDER LYME THE COUNCIL

MANAGING THE RISK OF FRAUD

ANTI- MONEY LAUNDERING POLICY

1. Foreword

- 1.1 The public is entitled to expect the Council to conduct its affairs with integrity, honesty and openness, and to demand the highest standards of conduct from those working for it. This Anti-Money Laundering Policy outlines the Council's commitment to creating an anti-fraud culture, and maintaining high ethical standards in its administration of public funds. It also recognises its responsibilities under the various legislation including the Terrorism Act 2000, Proceeds of Crime Act 2002, Money Laundering Regulations 2007 and Fraud Act 2006, and subsequent regulations.

2. Money Laundering

- 2.1 Money laundering is a general term for any method of disguising the origin of "dirty" or criminal money. This money may be the proceeds of any criminal activity including terrorism, drugs trafficking, corruption, tax evasion, and theft. The purpose of money laundering is to hide the origin of the dirty money so that it appears to have come from a legitimate source. Unfortunately no organisation is safe from the threat of money laundering, particularly where it is receiving funds from sources where the identity of the payer is unknown. It is, therefore, possible that Council may be targeted by criminals wishing to launder the proceeds of crime.
- 2.2 In addition, it is possible that the proceeds of crime may be received from individuals or organisations who do not realise that they are committing an offence. It is no defence for the payer or the recipient to claim that they did not know that they were committing an offence if they should have been aware of the origin of the funds. All staff therefore dealing with the receipt of funds or having contact with third parties from whom funds may be received need to be aware of the possibility of money laundering taking place.
- 2.3 Under the various legislation, if staff assist an individual to launder funds from a criminal source, they may be guilty of an offence, and if found guilty could be subject to a fine or a prison sentence up to 14 years. It is important therefore that staff are aware of the rules and procedures that the Council has in place to ensure that they comply with the relevant legislation and approach taken by the Council as set out in this policy.
- 2.4 The Money Laundering Regulations require us to carry out 'Customer Due Diligence (CDD)'. Staff should therefore be alert to where NULBC may be targeted by individuals trying to launder the proceeds of crime; avoid alerting anyone dealing with NULBC that they have a suspicion that they may be attempting to launder, or have laundered, the proceeds of crime; and to report any suspicions of money laundering¹.

1

¹¹ Any suspicions should be reported to the Money Laundering Compliance Officer – see paragraph 2.12

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- 2.5 Training will be provided to all relevant staff regarding money laundering to assist them in their awareness of how money laundering could take place and the appropriate method of dealing with this. In effect, any areas where money changes hands could therefore be at risk of money laundering attempts, i.e. Application fees for taxi licences, planning applications, payment of housing benefits etc.
- 2.6 The Council already has procedures in place to limit the amount of cash that it receives, with other payment methods being made available. To ensure however that the system is manageable, if a cash payment of less than £5,000 is received; no identification checks will be needed.
- 2.7 Where the £5,000 limit is exceeded, officers dealing with the matter will need to establish the identity of the individual/company involved to seek to ensure that the risk of receiving the proceeds of crime can be minimised.
- 2.8 For individuals, their passport or photo driving licence should be provided, together with one of the following:
- Utility bills i.e. electricity, water etc. however mobile phone bills are not acceptable
 - Mortgage/building society/bank statements
 - Credit card statements
 - Pension or benefit books

If passport or photo driving licence is not available, then two of the other items listed above will need to be produced.

- 2.9 For companies, a Companies House Search should be undertaken to confirm the existence of the company and identify who the directors are. Personal identification should then be obtained for the representatives of the company together with proof of their authority to act on behalf of the company. Care should be taken if it becomes clear that the individual has only recently become a director of the company or if there has been a recent change in the registered office.
- 2.10 For any other type of organisation, for example a sole trader or partnership, personal identification should be obtained for the individuals together with documents indicating their relationship to the organisation.
- 2.11 Copies of any evidence provided in support of the identification of an individual or organisation should be kept on a central file so that it can be referred to later if necessary. Records should be kept for 5 years after the end of the transaction.

Money Laundering Reporting Officer (“MLRO”)

- 2.12 The Council’s Money Laundering Reporting Officer (“MLRO”) is the Executive Director (Resources and Support Services), Kelvin Turner. In the absence of the MLRO, Head of Finance, Dave Roberts deputises.

Procedure for Reporting Suspicious Transactions

- 2.13 Any suspicious transactions which staff may become aware of in the course of their work must be reported to the Money Laundering Reporting Officer immediately using the Council’s Internal Disclosure Form (see Appendix 2). Failure to make the appropriate

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report immediately will be regarded as gross misconduct and may result in dismissal without notice or pay in lieu of notice.

- 2.14 It is imperative that, if staff have a suspicion concerning an individual or organisation with which they are dealing that they do not alert them to that suspicion i.e. that no “tipping off” is done. Staff must, therefore, **not** make them aware that an internal disclosure report may be made. Once the report is made, the cash/cheques/other form of payment from this source should not be banked until clearance has been received from the MLRO. Such clearance may take up to seven days from the time when the initial report to the Money Laundering Compliance Officer is made.
- 2.15 If the funds are banked in this period without getting clearance from the MLRO that staff members runs the risk of a fine and/or imprisonment for up to 14 years.

Additional Guidance

- 2.16 If you require any additional information or guidance in relation to the contents of this policy and your responsibilities please contact either the MLRO or his deputy. An Aide Memoir has been prepared – Appendix 3, which can be used as a brief reminder to staff of their responsibilities.

3. Conclusions

- 3.1 The Council has put into place a number of arrangements to protect itself from the risk of money laundering. However in the current climate of change there are issues that will increase this risk. Changes in structure, changes in systems and the turnover of staff all contribute to our exposure to the risk of money laundering. To mitigate against this risk the Council will regularly review arrangements.
- 3.2 The Money Laundering Policy provides a framework for preventing and tackling money laundering acts against the Authority. The approval of the Policy by the Audit and Risk Committee, on behalf of the Council, demonstrates the Council’s commitment to protecting public funds. Having made this commitment, it is imperative that the MLRO puts in place arrangements for disseminating the Policy and promoting money laundering awareness, throughout the Council.

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APPENDIX 1

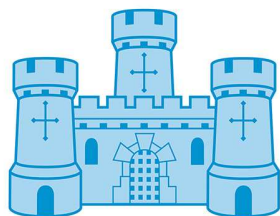
Role of the Money Laundering Reporting Officer – “MLRO”

The duties of the Money Laundering Reporting Officer are:

- To ensure that the Council complies with the requirements of the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002.
- To ensure that all relevant staff are aware of and comply with the Council's Money Laundering Policy.
- To ensure that the Council properly identifies all third parties dealing with the Council where there is a higher risk of the Council receiving the proceeds of crime and to ensure that copies of any documents taken as proof of evidence are kept on a central file by the Council.
- To ensure that all relevant staff receives training on how to identify, deal with and prevent money laundering.
- To ensure that all necessary disclosures to the Serious Organised Crime Agency (SOCA) are made and that they are made as soon as practically possible after the suspicion has been raised.
- To decide whether a suspicious transaction report requires a disclosure to be made to SOCA.
- To liaise with SOCA regarding the outcome of the disclosure and update staff accordingly.

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APPENDIX 2



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

MONEY LAUNDERING – INTERNAL REPORTING FORM

Money laundering legislation requires all individuals within the Council to report any knowledge or suspicions that they might have of money laundering (as defined in the Proceeds of Crime Act 2002) to the Council's Money Laundering Reporting Officer. To assist individuals the following pro forma has been developed. Particular circumstances may require different information to be disclosed and this should be fully explained, if applicable.

Instructions for Completion

It is your legal duty and a requirement of your employment with Newcastle under Lyme The Council that you report any suspicion concerning proceeds of crime to:

**Money Laundering Reporting Officer
 Newcastle under Lyme The Council
 Civic Offices
 Merrial Street
 Newcastle under Lyme
 Staffordshire
 ST5 2AG**

This should be marked **URGENT – **RESTRICTED** TO THE ADDRESSEE ONLY.**

You are also reminded that “**Tipping-Off**” is a criminal offence. You should therefore avoid discussing the content of this report with anyone other than the Money Laundering Reporting Officer.

Date of Report:		Date suspicion first aroused:	
Prepared by: Name & Dept			
Disclosure Type:	(i.e. connections to crime/drugs/terrorism)		

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Main Subject (Person)

Surname:		Forename(s):		Title:	
Date of Birth:		Gender:			
Occupation:		Employer			
Address (in full)		Postcode	Home/Business/Registered	Current/Previous	

Or**Main Subject (Company)**

Company Name:		Company No:			
Type of Business:		VAT No:			
Country of Reg:					
Address (in full)		Postcode	Home/Business/Registered	Current/Previous	

Bank Account Details

Account Name		Sort Code:	
Opened:		Account No:	
Closed:		Balance	

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Other Information

Any knowledge/evidence held to confirm identification and/or address, i.e. passport/driving licence etc:

Connected Subject Person (if any)

Surname:		Forename(s):		Title:	
Date of Birth:		Gender:			
Occupation:		Employer			
Address (in full)		Postcode	Home/Business/Registered	Current/Previous	

Or

Connected Subject Company (if any)

Company Name:		Company No:			
Type of Business:		VAT No:			
Country of Reg:					
Address (in full)		Postcode	Home/Business/Registered	Current/Previous	

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Bank Account Details

Account Name		Sort Code:	
Opened:		Account No:	
Closed:		Balance	

Other Information

Any knowledge/evidence held to confirm identification and/or address, i.e. passport/driving licence etc:

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Reason for the Suspicion

Please tick any or all of the following which might apply

Drugs	<input type="checkbox"/>	Personal Tax Fraud	<input type="checkbox"/>	VAT Fraud	<input type="checkbox"/>
Crime	<input type="checkbox"/>	Company Tax Fraud	<input type="checkbox"/>		
Immigration	<input type="checkbox"/>	Tobacco/Alcohol Excise Fraud	<input type="checkbox"/>		

Following on from above, please set out the reason for the suspicion.

Please continue on separate sheet if required

Names of all other colleagues (principals & staff) who have been involved with the case

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Declaration

The above is an accurate account of the facts that are available to me at the time of making the report. If I become aware of additional and/or changes in the information provided I will disclose these to the Money Laundering Reporting Officer in a timely manner. I am aware of the risks and penalties regarding "tipping-off" or frustrating in any way an investigation of the above or related matters by the authorities.

Signed: _____

Date: _____

Name in Full: _____

Position: _____

MONEY LAUNDERING AVOIDANCE AIDE MEMOIR

1. No member of staff must accept cash of more than £5,000 from any member of the public.
2. If you are offered cash of more than £5,000 you should advise the person offering it to you that it is not Council policy to accept large amounts of cash of more than £5,000 and that you need to obtain guidance from a senior member of staff. You should then contact the Money Laundering Reporting Officer to obtain authorisation to take cash, if appropriate.
3. Any large cash sums should not be banked in the first instance. The Money Laundering Reporting Officer should be contacted to seek guidance as to how to deal with the funds. Forms to report the matter are included in the policy document at Appendix 2.
4. Whilst it is not acceptable to be suspicious of all cash based businesses, anyone whom you know to be associated with such a business should be dealt with using a higher degree of scepticism. If you have any reason to suspect the source of their funds then you should contact the Money Laundering Reporting Officer to discuss your concerns, even if the payment is not received in cash.
5. If you receive a complaint from a member of the public in relation to possible criminal activity being carried out by someone who may be a customer of the Council (i.e. a Council Tax or Business Rates payer, rent payer, licensee etc) you must pass this on to the Money Laundering Reporting Officer.