

Public Document Pack

Date of meeting Monday, 7th April, 2014
Time 7.00 pm
Venue Training Room 1 - Civic Offices, Merrial Street,
Newcastle-under-Lyme, Staffordshire, 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 - 2)**
To consider the minutes of the previous meeting held on 17th February 2014.
- 4 Corporate Risk Management Report (Pages 3 - 8)**
- 5 Protecting the Public Purse (Pages 9 - 30)**
- 6 Anti Fraud and Anti Corruption Policies (Pages 31 - 70)**
- 7 Anti Money Laundering Policy (Pages 71 - 86)**
- 8 Code of Corporate Governance (Pages 87 - 100)**
- 9 Audit Plan 2013 - 2014 (Pages 101 - 114)**
- 10 External Audit Progress Report and Committee Update (Pages 115 - 128)**
- 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 Waring (Chair), Loades (Vice-Chair), Mrs Peers, Mrs Cornes, Hambleton, Taylor.J and Mrs Rout

PLEASE NOTE: The Council Chamber and Committee Room 1 are fitted with a loop system. In addition, there is a volume button on the base of the microphones. A portable loop system is available for all other rooms upon request.

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

Meeting Quorums :- 16+= 5 Members; 10-15=4 Members; 5-9=3 Members; 5 or less = 2 Members.

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

AUDIT AND RISK COMMITTEE

Monday, 17th February, 2014

Present:- Councillor Paul Waring – in the Chair

Councillors Loades, Mrs Peers, Mrs Cornes, Hambleton, Taylor.J and
Mrs Rout

12. MINUTES OF PREVIOUS MEETINGS

Resolved: That the minutes of the previous meeting be agreed as a correct record.

13. CORPORATE RISK MANAGEMENT REPORT

A report was submitted to provide an update to Members of the progress made by the Council in enhancing and embedding risk management for the period October to December 2013, including progress made in managing the identified corporate risks.

Resolved: That the Committee

(a) Scrutinise the progress that had been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers where applicable.

(b) Note the new risks that had been identified between October to December 2013.

(c) Identify, as appropriate, risk profiles to be scrutinised in more detail for the next meeting.

14. COLLECTION OF COUNCIL TAX

At the last meeting, members had considered a report compiled by the Council's auditors, Grant Thornton, entitled 'Review of the Council's Arrangements for Securing Financial Resilience'. One element of this report highlighted that Newcastle's collection rates for Council Tax were the lowest of all the shire districts in Staffordshire and in the bottom 25% for shire districts in England.

A report was now submitted by the Head of Revenues and Benefits providing Members with additional information in relation to the collection of council tax.

Members thanked Officers and especially Dave Baker for the report.

15. CERTIFICATION OF WORK REPORT 2012/2013

A report was submitted to receive Grant Thornton's Annual Report in respect of the Certification of Claims for the Borough Council for 2012/13.

Resolved: That Grant Thornton's Annual Report on the Certification of Claims be received.

16. INTERNAL AUDIT PROGRESS REPORT QUARTER 3

Members received a report on the work undertaken by the Internal Audit section during the period 1 October to 31 December 2013. The report identified the key issues raised. The full individual reports issued to Officers contained the key issues plus a variety of minor issues and recommendations.

Members considered any issues that they wished to raise with Cabinet and, or Executive Directors.

Resolved: a) That the Partnerships Register remain on the agenda for future meetings.

b) That an update on fleet management be brought back to the Committee in 6 months time.

17. ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE

A report was submitted to report on any outstanding high risk recommendations and where necessary to request Members' approval to the Executive Directors requested actions in respect of the recommendations and proposed target dates. The report also sought to provide Members with an assurance opinion on internal controls over Council Services.

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

18. INTERNAL AUDIT PLAN 2014/2015

A report was submitted to inform Members of the proposed Internal Audit Plan for 2014/15 and to seek their approval as to its contents and to agree with members the reporting arrangements for performance against the 2014/15 proposed plan.

Resolved: a) That the Internal Audit Plan for 2014/15 be approved

b) That Members agree to the continuation of the reporting arrangements as set out in the report.

19. INTERNAL AUDIT CHARTER

Members received a report for information and approval of the Internal Audit Charter. The Charter replaced the previously adopted Internal Audit Strategy and Terms of Reference.

Resolved: a) That the Internal Audit Charter for 2014/15 be approved

b) That the Internal Audit Charter be reviewed and updated annually to ensure compliance with the Public Sector Internal Audit Standards (PSIAS)

COUNCILLOR PAUL WARING
Chair

**REPORT OF THE EXECUTIVE MANAGEMENT TEAM
TO THE AUDIT AND RISK COMMITTEE**

April 2014

CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD January to March 2014

Submitted by: Head of Business Improvement, Central Services 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 2014, 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 2014.**
- (c) Identify, as appropriate, risk profiles to be scrutinised in more detail as part of your responsibility at the next meeting.**

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 Risk Management 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 ambitions 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 within 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 the Council’s Audit & Risk Committee in January 2014.

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				

During this quarter there have been no additional risks added of a final rating of Medium 7, 8 or High 9.

Appendix X now highlights the risks that fall into the top line of the ratings being reported.

2.2 **Issues from last meeting**

None were raised.

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 (England) Regulations 2011, state that:

*“The relevant body **is** 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*

facilities the effective exercise of that body's functions and which includes arrangements for the management of risk"

5. **Equality Impact Assessment**

5.1 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 X (**** paper)

8. **Background Papers**

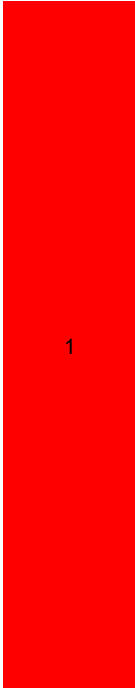
None

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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

Appendix X								
Risks and Action Plan Risk Identified	Risk Owner	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 29/01/2014	as at June 13	as at Sept 13	as at Dec 13
1 Potential Claims growth	Chief Executive	The Council has robust systems in place both to deal with claims when they happen and also to prevent, where possible, the circumstances where claims could arise. In doing so, the Council has in place policies and procedures designed to enhance safety at work and also to advise staff and others when driving or operating machinery. The Council checks, on a regular basis, that it is up to date on best practice in this area and that systems reflect changes in the local, national or international environments		Strategic	Risks reviewed and noted that this area is of growing significance with the number and value of claims increasing. Further actions reviewed. Consideration was given to potential control measures, but these are addressed by the existing further actions.	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	Risk Owner	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 29/01/2014	as at June 13	as at Sept 13	as at Dec 13	
2	Inability to implement outcomes from the Stock Condition Survey due to lack of finance (Asset Management Strategy)	Regeneration & Development	Annual review of the Asset Management Strategy to take place, however the Facilities Manager reviews the Capital Works Programme on an ongoing basis	Jan-15	Operational	The outcome report has been received by the Capital Programme Review Group. The urgent items are covered by the 3 year Capital Works Programme and this should allow for the repairs to be undertaken. There is however an annual review of the Works Programme to assess if there is a need to change priorities.	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8
3	Increase in Fees and Charges does not result in higher income levels (Balances/Contingency Reserve)	Resources & Support Services	An in-depth review of levels of fees and charges has been carried out, using data from local authorities across the country and this has been tested against local knowledge of usage and demand to produce as realistic a set of fees and charges as possible. In addition, care has been taken to set realistic targets for income as part of the overall annual budget setting exercise.		Project	Updated control in place to reflect £500k set aside to cover potential affects on income of the current economic climate.	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8

NOTE ALL PARAGRAPHS SHOULD BE NUMBERED WITH SUB-PARAGRAPHS BEING NUMBERED 2.1, 2.2 ETC.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & RISK COMMITTEE**

Date 7 April 2014

- 1. **HEADING** Audit Commission Report – Protecting the Public Purse 2013
- Submitted by:** Liz Dodd, Audit Manager
- Portfolio:** Finance and Resources
- Ward(s) affected:** All

Purpose of the Report

To inform Members of the report published by the Audit Commission in November 2013 entitled 'Protecting the Public Purse 2013'.

Recommendations

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**

This is the fifth 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.

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.

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 polices 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,
- Advice 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 As part of the councils commitment raising Fraud awareness a 'Fraud Awareness Campaign' was run in July 2013, the campaign made use of a toolkit which had been developed by the National Fraud Authority and included staff briefings, posters and an on line training package. For 2014/15 a staff survey is planned which is again aimed to test awareness of the policies and then be able to target any further training accordingly.

3. **Options Considered** (if any)

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 Publics 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**

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

6. **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

7. **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**

A full risk assessment in respect of Fraud has been completed and can be found at Appendix B

11. **Key Decision Information**

None

12. **Earlier Cabinet/Committee Resolutions**

None

13. **Recommendations**

That the report be noted

14. **List of Appendices**

Completed Checklist
Risk Assessment

15. **Background Papers**

16. **Management Sign-Off**

Each of the designated boxes need to be signed off and dated before going to Executive Director/Corporate Service Manager for sign off.

	Signed	Dated
Financial Implications Discussed and Agreed		
Risk Implications Discussed and Agreed		
Legal Implications		

Discussed and Agreed		
H.R. Implications Discussed and Agreed		
ICT Implications Discussed and Agreed		
Report Agreed by: Executive Director/ Head of Service		

**PROTECTING THE PUBLIC PURSE 2013/14 – 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. These have been reviewed and aligned with the Fighting Fraud Locally strategy.
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 arrangements in place for sharing services with a neighbouring authority to assist with resources in the event of a large scale investigation etc.
5.	Does a councillor have portfolio responsibility for fighting fraud across the council?	√		The portfolio holder for Finance and Resources is the nominated Fraud Champion

<p>Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?</p>	<p>√</p>	<p>Feedback is given as part of regular performance monitoring reports and management reports issued following the completion of investigations.</p>
<p>Have we assessed our management of counter-fraud resources against good practice?</p>	<p>√</p>	<p>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.</p>
<p>8. Do we raise awareness of fraud risks with:</p> <ul style="list-style-type: none"> • New staff (including agency staff)? • Existing staff? • Members? • Contractors 	<p>√</p>	<p>Policies are all reviewed annually and briefings have been issued to staff via the monthly corporate briefings and the audit pages on e-voice contain information and guidance to staff. A fraud awareness campaign took place in July 2013, this involved staff briefings, posters and an on-line training course. During 2014/15 a staff survey will be undertaken to review understanding and awareness of the Councils policies. In addition a fraud awareness guide is issued to all managers on an annual basis this identifies key areas of risk and requires managers to undertake an assessment and review of their own service areas.</p>
<p>9 Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?</p>	<p>√</p>	<p>We are Members of the Midlands Fraud Forum and The Local Authority Investigations Officers Group (LAIOG). In addition the Audit Manager is part of the Staffordshire Chief Auditors Group which meets on a regular basis, there is a standing agenda item in respect of current fraud issues</p>
<p>10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?</p>	<p>√</p>	<p>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.</p>

11.	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.
12.	Do we maximize the benefit of our participation in the Audit Commission NFI and receive reports on the matches investigated?	√		Reports provided under the National Fraud Initiative (NFI) are reviewed and appropriate action taken in respect of the findings from these.
13.	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 been delivered.
14	Do we have effective arrangements for... <ul style="list-style-type: none"> • Reporting fraud • Recording Fraud, 	√		The Fraud Response plan sets out the requirements for the handling and reporting of any suspected frauds. The outcome from any investigations would be included in the quarterly update reports to the Audit and Risk Committee.
15	Do we have effective whistle blowing arrangements? In particular are staff; <ul style="list-style-type: none"> • Aware of our whistleblowing arrangements • Have confidence in the confidentiality of those arrangements • Confident that any concerns raised will be addressed. 	√		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
16	Do we have effective fidelity insurance arrangements?	√		There are adequate insurance arrangements in place that are reviewed annually
Fighting Fraud with reduced resources				
17.	Have we reassessed our fraud risks since the change in the financial climate?	√		Fraud Risk Assessments are completed and reviewed annually to ensure that all risks are constantly reviewed in light of the current economic climate
18.	Have we amended our counter-fraud action plan as a result?	√		Counter Fraud Plans are reviewed and reported annually to Audit & Risk Committee

19.	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				
20.	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 to Aspire Housing as part of the application process.
21.	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				
22.	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.
23.	Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels and compared them with best practice?		√	Contract standing orders which contain the contract letting procedures are reviewed on a regular basis. Due consideration is given to guidance from the office of Government Commerce.
Recruitment				
24.	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 requirement to have Public Services Network compliance. This compliance demonstrates that we meet the requirements in terms of ensuring the security of the information assets held by the public sector.
Personal Budgets				
25.	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

<p>26 Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?</p>	<p>N/A</p>		<p>Not applicable in respect of Personal Budgets, however the Councils Whistleblowing policy does apply to everyone and is available on the Councils website.</p>
<p>Council Tax Discount</p>			
<p>27. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?</p>	<p>√</p>		<p>There are systems and procedures in place to deal with discounts and allowances</p>
<p>Housing and Council Tax Benefits</p>			
<p>28 When tackling housing and council tax benefit fraud do we make full use of:</p> <ul style="list-style-type: none"> • National Fraud Initiative; • Department for Work and Pensions Housing Benefit Matching Service; • Internal data matching; and • Private sector data matching? 	<p>√</p>		<p>The council actively partakes in the NFI, has arrangements in place with the DWP in respect of Housing Benefits Matching Service 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 involve data matching with the private sector.</p>
<p>Emerging Fraud Risks</p>			
<p>29 Do we have appropriate and proportionate defences against emerging fraud risks such as</p> <ul style="list-style-type: none"> • Business Rates; • Right to Buy; • Social Fund and local welfare assistance; • Local Council Tax Support; • Schools, and • Grants. 			<p>Fraud risks are regularly reviewed and updated, processes will be reviewed to ensure that controls are in place to address any potential increased risks. The fraud awareness campaign and mangers fraud guide also ensure that staff are aware of the risks and that controls are in place to minimize as far as possible our exposure to any new risks.</p>

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Risks, controls and actions - Fraud

as at 17.02.14

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required	Risk Count:
Fraud Awareness							34
Abuse of email	Misappropriation of Council time. Reputation damage.	a	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	7	Roll out of elearning training module for misuse of time and resources Roll out E Learning Training Module Regular review of mailmeter reports	
Postal voting fraud	Elections become null and void. Financial implications. Reputation damage. Resource issues.	a	E	Registrations and applications vetted Review of process Training of staff for postal opening Electoral Commission checks undertaken	6		
Theft of income	Misappropriation of funds. Criminal investigation. Reputation damage.	a	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	5	Consider roll out of CRB to other depts.	

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Compliance with cash handling instructions and financial regulations Income collection systems - separation of duties		
Fraudulent benefit claims	Misappropriation of funds. Criminal investigation. Reputation damage.	a	E	Verification by benefit assessors Checks of details by verification framework officers Benefit investigators Fraud awareness training to all staff National Fraud Initiative (NFI)	5	Review resource allocation in respect of fraud investigation
Failure to recover money	Misappropriation of funds. Criminal investigation. Reputation damage.	a	E	Laid down procedures Exception reporting Debtors system - separation of responsibilities Recovery procedures exception reporting	5	Process to be looked at for BACS Regular review of systems Review of trade refuse rounds
Fraudulent letting or extension of contracts	Criminal investigation. Reputational damage. Possible breach of OJEC rules. Third Party involvement.	a	E	Central register of contracts is maintained by the Procurement Officer Code of Conduct for Officers and Members	3	Remind staff to involve procurement officer when letting or extending contracts

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Procurement Officer in post Procurement toolkit IDeA training Standing Orders Financial Regulations Final Account Audit undertaken Procurement Briefings Anti-Fraud and Anti-Corruption Policy		
Unauthorised access to computer systems for fraudulent use	Loss of data. Corruption of data. Financial gain. Reputational damage. Failure to work. Loss of Government Connects authorisation. Criminal investigation.	a	E	Network security policy Training - on computer security Access controls Information Security Policies	3	Elearning tool to refresh on annual basis Access controls audited annually
Corruption in sale of land	Abuse of position. Abuse of public office. Criminal investigation. Financial implications. Officers open to bribery & corruption.	a	E	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	Consider CRB checks for Assets staff

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness						
Falsification of performance indicators	Public perception reduced. Reputation damage. Inaccurate benchmarking measurements used.	a	E	Independent check of performance indicator statistics / data Password protected performance system	3	
Fraudulent invoices or claims from contractors	Misappropriation of funds. Criminal offences. Reputational damage.	a	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	Software check done annually to look at internal system
Fraudulent Bank Notes	Loss of income to the Council	1	7	Scan Coin Machines have detection facilities in place UV Marker pens in use	7	On Line Training - via SafeVoice On Line Training
Fraudulent use of Corporate Credit Cards	Misappropriation of funds. Criminal investigation. Reputation damage.	a	E	Training - on Corporate Credit Card system	4	

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				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 £5,000 limit per month per corporate credit card		
Fraudulent use of investment money	Insurance implications. Increase cost in insurance premium. Abuse in position. Abuse of public office. Financial implications. Reputation damage.	a	E	Annual audit of treasury management Treasury Management meetings Fidelity guarantee insurance for designated officers Treasury Management - statutory / professional guidance Use of Broker and Treasury Management advisors	2	

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Carry out periodic reconciliations Separation of responsibilities for investments		
Fraudulently using external funding	Reputation damage. Financial assistance would be cut off. Budgetary implications. Failure to deliver projects. Service delivery reduced.	a	E	Budget monitoring External funding - separation of duties Newcastle Borough Council acts on lessons learnt Financial Regulations Standing Orders Independent verification of grant conditions Audit undertaken	2	Ensure staff apply the Third Sector Commissioning Framework principles to grant funding Train staff in how to pay out grants Train staff in correct external funding / grant procedures and processes for claiming grants
Theft or misuse of the Authority's information	Failure to work. Loss of Government Connects authorisation. Loss of data. Corruption of data. Financial gain. Reputational damage.	a	E	Clear desk policy Confidential information locked away Confidentiality clauses Encrypted memory sticks Access controls Saving data to servers Firewalls Information Security Policies Managing Information Risks risk assessment	2	Work to meet requirements of PCI Training to be organised in data protection, copyright etc Control procedures to be written up in relation to visitors and meetings etc Strong 2 factor authentication Third party contracts in place for supply of OS data

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Information Security Working Group Connected to Government Secure Intranet Inspire directive for sharing of data across EU Metadata to ISO standards. Use of data for application.		Information Security Briefings Information Security Briefings
Fraudulent use of council vehicles	Breach of insurance cover. Criminal investigation. Reputation damage. Financial implications.	a	E	Vehicle logs Staff awareness of insurance implications Driving at work policy	2	
Inappropriate receipts of gifts / hospitality	Officers open to bribery and corruption. Reputational damage.	a	E	Code of Conduct for Officers and Members Manager approval Register of Interests Audit undertaken Staff informed of process Annual reminders	1	To ensure that the Gifts and Hospitality Policy is Reviewed
Theft or sale of official stocks / equipment	Misappropriation of funds. Criminal investigation. Reputation damage. Loss of data. Corruption of data. Financial gain. Failure to work. Loss of Government Connects authorisation.	a	E	Regular independent checks of stocks / equipment across the council Stock records maintained across all service areas within the council	1	ICT to produce work programme to security mark all ICT equipment

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Inventory of all ICT items (numbered) PCs are tagged/marked Annual inventory checks Physical security		
Misappropriation of funds	Abuse of position. Abuse of public office.	a	E	Minimising cash payments by debit card and direct payment methods Regular independent reconciliations of funds Cash secured Cash and income collection - separation of duties Budget monitoring Whistleblowing policy Financial Regulations	1	Documented clear work procedures to be produced
Fraudulent payments for personal gain	Misappropriation of funds. Criminal investigation. Reputation damage.	a	E	Independent reconciliations Approval process Budget monitoring	1	
Fraudulent car loans	Misappropriation of funds. Criminal investigation. Reputation damage.	d	M	Clear procedures for car loan applications Car Loans - separation of duties Affordability check	1	

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness						
Money laundering	Criminal investigation. Reputation damage. Financial implications.	a	H	Money Laundering - statutory / professional guidance Audit review procedures and recommendations made Cashiers audit	1	Money laundering training to be rolled out to staff
Agency staff claiming hours not worked	Misappropriation of funds. Criminal investigation. Reputation damage.	c	H	Line manager checks hours worked Use of timekeeper system HR involvement	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	
Theft of cash in transit	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	1	Produce insurance risk assessment for process

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Handled by securicor / G4S		
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	
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	Regular reports to management to be produced
Abuse of postage system	Misappropriation of funds. Criminal investigation. Reputation damage.	e	M	Management check of postage costs Budget monitoring Protocols set for handling of post	1	
Abuse of internet	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	Internet reports to be produced

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness						
Payments to ghost employees	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	Implementing recommendations of HR audit - separation of duties
Fraudulently trading for personal gain	Misappropriation of funds. Criminal investigation. Reputation damage. Abuse of position. Abuse of public office.	a	E	Code of Conduct for Officers and Members National Fraud Initiative (NFI) Register of Interests Checks by management	1	Annual Reminer to staff regarding registering of outside interests. Annual Reminer to staff regarding registering of outside interests.
HR policies do not deter fraudulent behaviour	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	

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness						
Fraudulent job application forms	Inappropriate appointment. Security implications. Insurance implications. Financial implications. Criminal investigation. Reputation damage.	b	E	Obtain evidence of qualifications Obtain references HR involvement Recruitment policy and process Identity checks carried out	1	New policy linked to GCSX
Fraudulent non attendance at work	Abuse of contract. Abuse of public office. Abuse of position.	c	H	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	1	

Risk Count: 34

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & RISK COMMITTEE**

Date 7 April 2014

HEADING **Review of the Councils Anti-Fraud & Anti-Corruption Framework**

Submitted by: **Audit Manager**

Portfolio **Finance and Resources**

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 tolerance to any form of fraudulent activity, 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

These policies are reviewed on an annual basis to ensure that they remain relevant for the forthcoming financial year. There have been no new legislative changes since the last review and therefore the policies remain unchanged in this respect. However, updates have been made in respect of references to the Serious Organised Crime Agency which has been replaced by the National Crime Agency.

1. Background

- 1.1 Fraud has a serious impact on all parts of the economy and costs the UK around £52 billion per year.¹ The cost of fraud to the public sector equates to £20.6 billion of which £2.1 billion relates to local government. Overall the national figure has seen a reduction of £21 billion in comparison to the previous year. However figures for the Public Sector have seen a slight increase, rising to £20.6bn from the previously reported figure of £20.3bn. The local government figure has seen a very slight reduction falling from £2.2bn to £2.1 bn.
- 1.2 This £2.1 billion attributable to fraud loss in local government can be broken down further; the table below provides details of this together with a comparison to the 2012 figures that highlights where the variances have occurred.

¹ National Fraud Authority Report – Annual Fraud Indicator June 2013

Area of Fraud	2012 £'m	2013 £'m	Variance £'m
Housing Tenancy	845	900	+55
Procurement	876	890	+14
Payroll	154	153	-1
Council Tax	133	131	-2
Blue Badge	46	46	0
Grants	35	41	+6
Pensions	7.1	5.9	-1.2

All of which is public money that could be better spent delivering public services. This coupled with the budget constraints that also face the public sector is another reason why we need a strong anti fraud culture that is driven throughout the organisation.

- 1.3 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 Whistle-blowing 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.
- 1.4 The Anti- Fraud & Anti-Corruption Framework, the Whistleblowing Policy and Fraud Response Plan are approved annually as part of the Council's Constitution.
- 1.5 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.
- 1.6 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 their own area.

- 2.4 As part of the Council's on going commitment to raising Fraud Awareness a campaign was undertaken in the summer of 2013, this campaign utilised a toolkit produced by the National Fraud Authority which included a 'core brief' item, news stories on the intranet, posters and an on-line training package. Going forward during the summer of 2014 a staff survey will be issued to ascertain awareness levels amongst staff, which will then hopefully inform training needs going forward.
- 2.5 In addition for a number of years now the Council has been a member of the Midlands Fraud Forum (MFF). The forum includes both public and private sector organisations and whose aim is to combat the risk of fraud and to raise the awareness of the risks at both a personal and business level. A booklet recently produced by the MFF has been circulated to both officers and members.

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**

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 their updated forms

5. **Reasons for Preferred Solution**

As option 3.1 above.

6. **Outcomes Linked to Corporate Priorities**

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 £700 per annum plus ten pence per employee, which based on 500 employees makes the total subscription, cost £750.

10. **Major Risks**

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.

The existence of these policies mean that staff are informed and given guidance on what actions they should take if they suspect that a fraud is being committed.

Formal risk assessments in respect of Fraud Awareness and the Bribery Act have been completed.

11. **Key Decision Information**

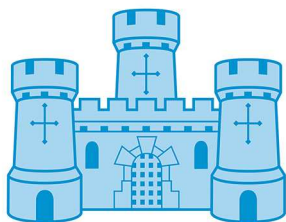
Not applicable

12. **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

13. **Background Papers**

Internal Audit Files
National Fraud Authority – Annual Fraud Indicator Report – June 2013



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

ANTI-FRAUD & ANTI-CORRUPTION FRAMEWORK

2014-15

NEWCASTLE UNDER LYME BOROUGH COUNCIL

**ANTI-FRAUD AND ANTI-CORRUPTION
FRAMEWORK**

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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 National 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

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.

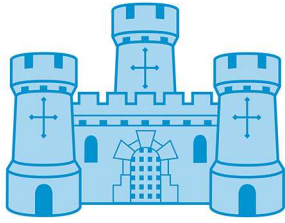
These principles apply to all aspects of public life. The Nolan Committee set them out for the benefit of all who serve the public in any way.

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
BOROUGH COUNCIL

FRAUD RESPONSE PLAN

2014-15

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.

- 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.

- 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 National 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
- External Audit
- 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

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

- 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.

- 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.
- **Observations** 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. Surveillance must be necessary and proportionate in accordance with the Regulations of Investigatory Powers Act 2000 (RIPA) for Local Authorities now to be able to undertake any surveillance authorisation must be sought from the Magistrates Court.
- 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.

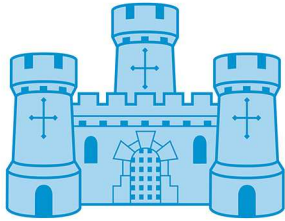
- 5.2 The Council's policy is to refer theft, fraud or corruption to the police for investigation and prosecution whenever possible. However, it's important to remember that the evidence for a successful prosecution must prove a case beyond all reasonable doubt, while disciplinary cases (including dismissal for gross misconduct) are decided on the balance of probabilities.
- 5.3 The Audit Manager will consult the Section 151 Officer, 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. The Communications team will be kept informed in order 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



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

WHISTLEBLOWING POLICY

2014-15

NEWCASTLE UNDER LYME BOROUGH COUNCIL

WHISTLEBLOWING POLICY

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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.

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:-

- External Audit, Grant Thornton, Colmore Plaza, 20 Colmore Circus, Birmingham, West Midlands, B4 6AT,
- The Police, or.
- 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.

Risks, controls and actions - Fraud

as at 17.02.14

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness						
Abuse of email	Misappropriation of Council time. Reputation damage.	a	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	7	Roll out of elearning training module for misuse of time and resources Roll out E Learning Training Module Regular review of mailmeter reports
Postal voting fraud	Elections become null and void. Financial implications. Reputation damage. Resource issues.	a	E	Registrations and applications vetted Review of process Training of staff for postal opening Electoral Commission checks undertaken	6	
Theft of income	Misappropriation of funds. Criminal investigation. Reputation damage.	a	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	5	Consider roll out of CRB to other depts.

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Compliance with cash handling instructions and financial regulations Income collection systems - separation of duties		
Fraudulent benefit claims	Misappropriation of funds. Criminal investigation. Reputation damage.	a	E	Verification by benefit assessors Checks of details by verification framework officers Benefit investigators Fraud awareness training to all staff National Fraud Initiative (NFI)	5	Review resource allocation in respect of fraud investigation
Failure to recover money	Misappropriation of funds. Criminal investigation. Reputation damage.	a	E	Laid down procedures Exception reporting Debtors system - separation of responsibilities Recovery procedures exception reporting	5	Process to be looked at for BACS Regular review of systems Review of trade refuse rounds
Fraudulent letting or extension of contracts	Criminal investigation. Reputational damage. Possible breach of OJEC rules. Third Party involvement.	a	E	Central register of contracts is maintained by the Procurement Officer Code of Conduct for Officers and Members	3	Remind staff to involve procurement officer when letting or extending contracts

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Procurement Officer in post Procurement toolkit IDeA training Standing Orders Financial Regulations Final Account Audit undertaken Procurement Briefings Anti-Fraud and Anti-Corruption Policy		
Unauthorised access to computer systems for fraudulent use	Loss of data. Corruption of data. Financial gain. Reputational damage. Failure to work. Loss of Government Connects authorisation. Criminal investigation.	a	E	Network security policy Training - on computer security Access controls Information Security Policies	3	Elearning tool to refresh on annual basis Access controls audited annually
Corruption in sale of land	Abuse of position. Abuse of public office. Criminal investigation. Financial implications. Officers open to bribery & corruption.	a	E	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	Consider CRB checks for Assets staff

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness						
Falsification of performance indicators	Public perception reduced. Reputation damage. Inaccurate benchmarking measurements used.	a	E	Independent check of performance indicator statistics / data Password protected performance system	3	
Fraudulent invoices or claims from contractors	Misappropriation of funds. Criminal offences. Reputational damage.	a	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	Software check done annually to look at internal system
Fraudulent Bank Notes	Loss of income to the Council	1	7	Scan Coin Machines have detection facilities in place UV Marker pens in use	7	On Line Training - via SafeVoice On Line Training
Fraudulent use of Corporate Credit Cards	Misappropriation of funds. Criminal investigation. Reputation damage.	a	E	Training - on Corporate Credit Card system	4	

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				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 £5,000 limit per month per corporate credit card		
Fraudulent use of investment money	Insurance implications. Increase cost in insurance premium. Abuse in position. Abuse of public office. Financial implications. Reputation damage.	a	E	Annual audit of treasury management Treasury Management meetings Fidelity guarantee insurance for designated officers Treasury Management - statutory / professional guidance Use of Broker and Treasury Management advisors	2	

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Carry out periodic reconciliations Separation of responsibilities for investments		
Fraudulently using external funding	Reputation damage. Financial assistance would be cut off. Budgetary implications. Failure to deliver projects. Service delivery reduced.	a	E	Budget monitoring External funding - separation of duties Newcastle Borough Council acts on lessons learnt Financial Regulations Standing Orders Independent verification of grant conditions Audit undertaken	2	Ensure staff apply the Third Sector Commissioning Framework principles to grant funding Train staff in how to pay out grants Train staff in correct external funding / grant procedures and processes for claiming grants
Theft or misuse of the Authority's information	Failure to work. Loss of Government Connects authorisation. Loss of data. Corruption of data. Financial gain. Reputational damage.	a	E	Clear desk policy Confidential information locked away Confidentiality clauses Encrypted memory sticks Access controls Saving data to servers Firewalls Information Security Policies Managing Information Risks risk assessment	2	Work to meet requirements of PCI Training to be organised in data protection, copyright etc Control procedures to be written up in relation to visitors and meetings etc Strong 2 factor authentication Third party contracts in place for supply of OS data

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Information Security Working Group Connected to Government Secure Intranet Inspire directive for sharing of data across EU Metadata to ISO standards. Use of data for application.		Information Security Briefings Information Security Briefings
Fraudulent use of council vehicles	Breach of insurance cover. Criminal investigation. Reputation damage. Financial implications.	a	E	Vehicle logs Staff awareness of insurance implications Driving at work policy	2	
Inappropriate receipts of gifts / hospitality	Officers open to bribery and corruption. Reputational damage.	a	E	Code of Conduct for Officers and Members Manager approval Register of Interests Audit undertaken Staff informed of process Annual reminders	1	To ensure that the Gifts and Hospitality Policy is Reviewed
Theft or sale of official stocks / equipment	Misappropriation of funds. Criminal investigation. Reputation damage. Loss of data. Corruption of data. Financial gain. Failure to work. Loss of Government Connects authorisation.	a	E	Regular independent checks of stocks / equipment across the council Stock records maintained across all service areas within the council	1	ICT to produce work programme to security mark all ICT equipment

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Inventory of all ICT items (numbered) PCs are tagged/marked Annual inventory checks Physical security		
Misappropriation of funds	Abuse of position. Abuse of public office.	a	E	Minimising cash payments by debit card and direct payment methods Regular independent reconciliations of funds Cash secured Cash and income collection - separation of duties Budget monitoring Whistleblowing policy Financial Regulations	1	Documented clear work procedures to be produced
Fraudulent payments for personal gain	Misappropriation of funds. Criminal investigation. Reputation damage.	a	E	Independent reconciliations Approval process Budget monitoring	1	
Fraudulent car loans	Misappropriation of funds. Criminal investigation. Reputation damage.	d	M	Clear procedures for car loan applications Car Loans - separation of duties Affordability check	1	

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness						
Money laundering	Criminal investigation. Reputation damage. Financial implications.	a	H	Money Laundering - statutory / professional guidance Audit review procedures and recommendations made Cashiers audit	1	Money laundering training to be rolled out to staff
Agency staff claiming hours not worked	Misappropriation of funds. Criminal investigation. Reputation damage.	c	H	Line manager checks hours worked Use of timekeeper system HR involvement	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	
Theft of cash in transit	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	1	Produce insurance risk assessment for process

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness				Handled by securicor / G4S		
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	
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	Regular reports to management to be produced
Abuse of postage system	Misappropriation of funds. Criminal investigation. Reputation damage.	e	M	Management check of postage costs Budget monitoring Protocols set for handling of post	1	
Abuse of internet	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	Internet reports to be produced

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness						
Payments to ghost employees	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	Implementing recommendations of HR audit - separation of duties
Fraudulently trading for personal gain	Misappropriation of funds. Criminal investigation. Reputation damage. Abuse of position. Abuse of public office.	a	E	Code of Conduct for Officers and Members National Fraud Initiative (NFI) Register of Interests Checks by management	1	Annual Reminer to staff regarding registering of outside interests. Annual Reminer to staff regarding registering of outside interests.
HR policies do not deter fraudulent behaviour	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	

Risk Count: 34

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Fraud Awareness						
Fraudulent job application forms	Inappropriate appointment. Security implications. Insurance implications. Financial implications. Criminal investigation. Reputation damage.	b	E	Obtain evidence of qualifications Obtain references HR involvement Recruitment policy and process Identity checks carried out	1	New policy linked to GCSX
Fraudulent non attendance at work	Abuse of contract. Abuse of public office. Abuse of position.	c	H	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	1	

Risk Count: 34

NOTE ALL PARAGRAPHS SHOULD BE NUMBERED WITH SUB-PARAGRAPHS BEING NUMBERED 2.1, 2.2 ETC.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & RISK COMMITTEE**

Date 7 April 14

HEADING Anti Money Laundering Policy

Submitted by: Audit Manager

Portfolio Finance and Resources

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.

Recommendations

- a) **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 the 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. The policy is reviewed annually to ensure that it remains in line with all relevant legislation. There have been no changes to the legislation during the previous year and therefore in this respect the policy remains unchanged. The main updates to the policy have included the replacement of references to the Serious Organised Crime Agency (SOCA) with The National Crime Agency (NCA) which replaced SOCA in October 2013. The NCA is a national law enforcement agency that works in partnership with other organisations to tackle the issues of serious and organised crime.
- 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 Public's 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**

That the Anti- Money Laundering Policy shown at Appendix A be approved

5. **Reasons for Preferred Solution**

As option 3.1 above.

6. **Outcomes Linked to Corporate Priorities**

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.

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 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**

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.

The existence of this policy means 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

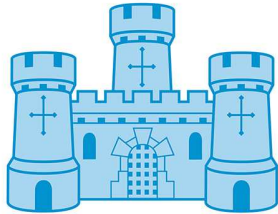
13. **List of Appendices**

Appendix A Anti Money Laundering Policy

14. **Background Papers**

Internal Audit Files

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NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

Anti-Money Laundering Policy

2014-15

NEWCASTLE UNDER LYME BOROUGH 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 Newcastle under Lyme Borough Council (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.

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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 £2,000 is received; no identification checks will be needed.
- 2.7 Where the £2,000 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.

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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 MLRO immediately using the Council's Internal Disclosure Form (see Appendix 2). Failure to make the appropriate 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.

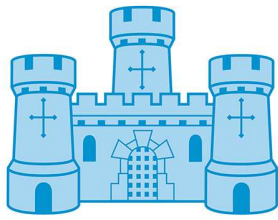
3. Conclusions

- 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.

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 National Crime Agency (NCA) 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 NCA.
- To liaise with NCA regarding the outcome of the disclosure and update staff accordingly.



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 Borough 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	

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:

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

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 £2,000 from any member of the public.
2. If you are offered cash of more than £2,000 you should advise the person offering it to you that it is not Council policy to accept large amounts of cash of more than £2,000 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.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL
EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & RISK COMMITTEE

Date 7 April 2014

HEADING **CODE OF CORPORATE GOVERNANCE**

Submitted by: Audit Manager

Portfolio Finance and Resources

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) A covering letter signed by the Chair and Vice Chair of the Audit and Risk Committee should 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 2011, 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, and
- 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 2013/14, 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 it 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 provided as Appendix

5. Outcomes Linked to 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 2011 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

7.1 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

11.1 Not applicable

11. Earlier Cabinet/Committee Resolutions

12.1 Code of Corporate Governance - April 2013

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 2011

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, and
- 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, and
- 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
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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 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.

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- When working in partnership:
 - ensuring that there is clarity about the legal status of the partnership.
 - 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.



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CORE PRINCIPLE 3:	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
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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
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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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The Audit Plan for Newcastle-under-Lyme Borough Council

Year ended 31 March 2014

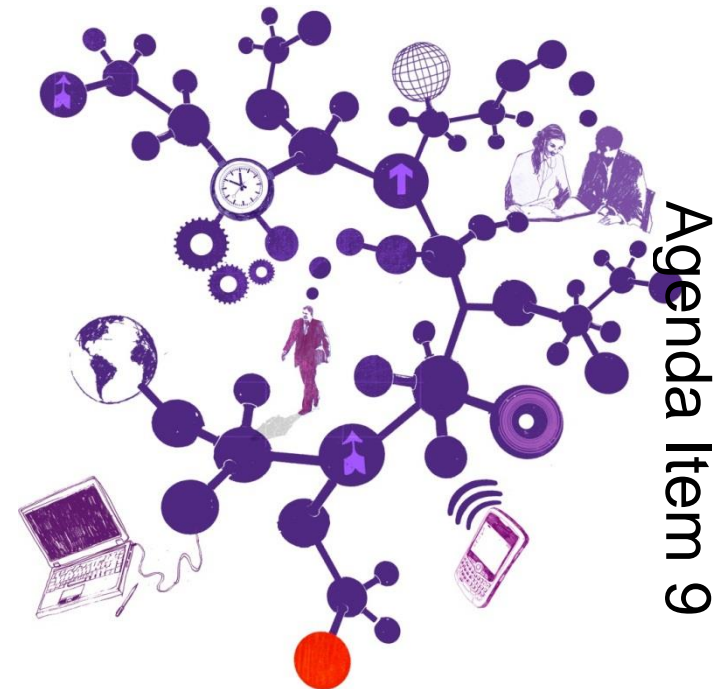
24 March 2014

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Agenda Item 9

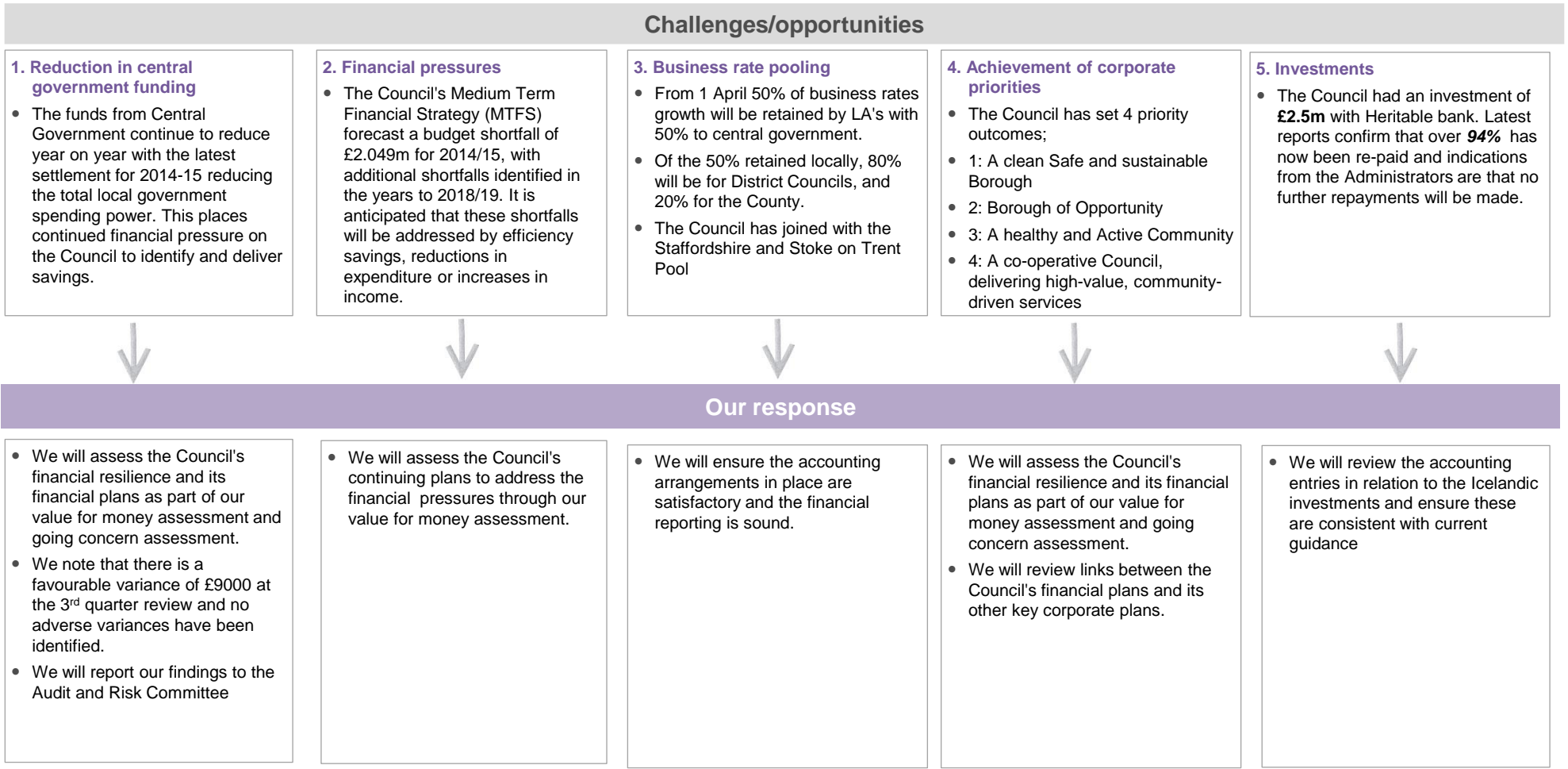
The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks
6. Value for Money
7. Results of interim audit work
8. Key dates
9. Fees and independence
10. Communication of audit matters with those charged with governance

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Clarification of Code requirements around Property, Plant & Equipment (PPE) valuations
- Changes to NDR accounting and provisions for business rate appeals

2. Legislation

- Local Government Finance settlement
- Welfare reform Act 2012

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

4. Pensions

- The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) in particular the changes to the reporting within the financial statements.

5. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

6. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice, in particular the clarification around PPE valuations and the changes to NDR accounting, through discussions with management and substantive testing

- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

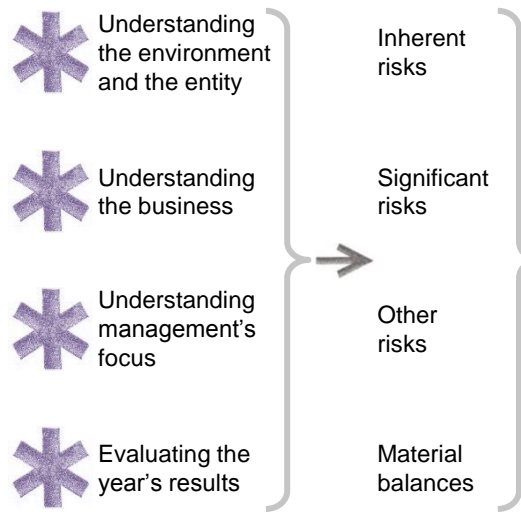
- We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management

- We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VFM conclusion

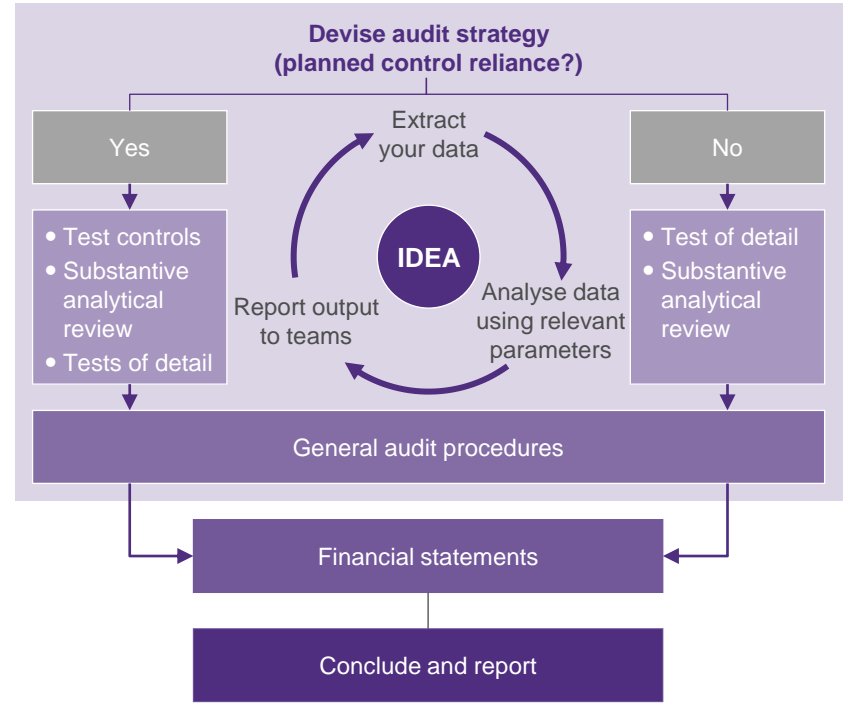
- We will carry out work on the WGA pack in accordance with requirements
- We will certify grant claims and returns in accordance with Audit Commission requirements

Global audit technology

Ensures compliance with International Standards on Auditing (ISAs)



Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material^a respects with the CIPFA Code of Practice framework using our global methodology and audit software



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.



Creates and tailors audit programs

Stores audit evidence

Documents processes and controls

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Work planned: <ul style="list-style-type: none">• Review and testing of revenue recognition policies and the controls in place around revenue recognition• Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Work planned: <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work programme
Operating expenses	Creditors understated or not recorded in the correct period	<p>We will document the processes and controls in place around the accounting for operating expenses and carry out walkthrough tests to confirm the operation of controls</p> <p>We will carry out testing including:</p> <ul style="list-style-type: none"> • The completeness of the subsidiary system interfaces and control account reconciliations • Review of monthly trend analysis of payments • Cut off testing of purchase orders and goods received notes (both before and after year end) <p>Testing will also cover a sample of operating expenses covering the period 1/4/13 to 31/3/14 to ensure they have been accurately accounted for and in the correct period.</p>
Employee remuneration	Employee remuneration accrual understated	<p>We will document the processes and controls in place around the accounting for employee remuneration and carry out walkthrough tests to confirm the operations of controls.</p> <p>We will carry out testing including:</p> <ul style="list-style-type: none"> • The completeness of the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements • Sample of payments made in April and May to ensure payroll expenditure is recorded in the correct year. • Review of monthly trend analysis of total payroll. <p>Testing will also cover a sample of employee remuneration payments covering the period 1/4/13 to 31/3/14 to ensure they have been accurately accounted for and in the correct period.</p>
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p>We will document the processes and controls in place around the accounting for welfare benefits and carry out walkthrough tests to confirm the operation of controls.</p> <p>We will carry out testing in accordance with the methodology required to certify the housing benefit subsidy claim.</p>

Value for money

Value for money

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

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We will undertake a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following area to address the risks identified:

- Review the Council's financial resilience, as reflected in the medium term financial strategy and the savings factored into the annual budgets.

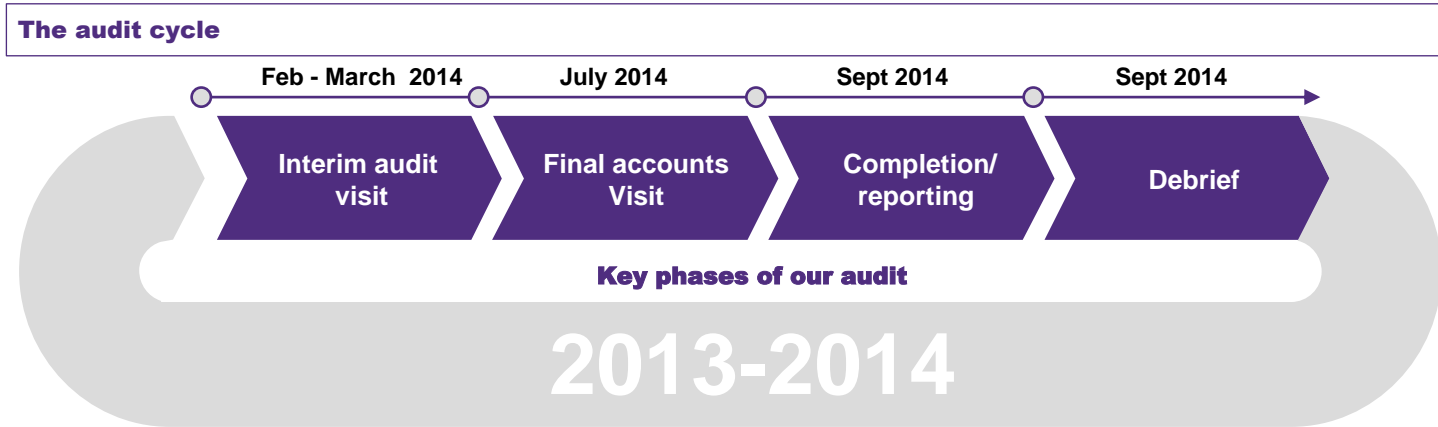
The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

The findings of our interim audit work to date, and the impact of our findings on the accounts audit approach, are summarised in the table below. Where we have yet to complete work at the date of drafting this report, we will update the Audit and Risk Committee on any significant findings arising from completion of this work as soon as practicable.

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We will complete walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work determines whether internal controls have been implemented in accordance with our documented understanding.</p>	<p>We will conclude whether our work has identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist performs a high level review of the general IT control environment, as part of the overall review of the internal controls system. We also perform a follow up of the issues that were raised last year.</p>	<p>We will conclude whether our work identifies any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Journal entry controls	<p>We will review the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>The work will identify whether there are any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>
Early substantive testing	<p>Where practical we will complete testing on initial samples of employee remuneration and operating expenses</p>	<p>The work will inform our approach to the audit of the Council's accounts and contribute to the assurance for material items.</p>
Value for money	<p>We will carry out initial review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resource</p>	<p>The work will inform our conclusion on the arrangements to secure value for money</p>

Key dates



Date	Activity
January 2014	Planning
February – March 2014	Interim site visit
7 th April 2014	Presentation of audit plan to Audit and Risk Committee
July 2014	Year end fieldwork
July 2014	Audit findings clearance meeting
29 th September 2014	Report audit findings to Audit and Risk Committee
30 th September 2014	Sign financial statements opinion

Pages and independence

	£
Council audit	72,436
Grant certification	12,200*
Total fees (excluding VAT)	84,636

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

* The grant certification fees are subject to further consideration by the Audit Commission following the changes to the certification requirements made to Council Tax Benefit and NNDR3.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Audit Committee Update for Newcastle-under-Lyme Borough

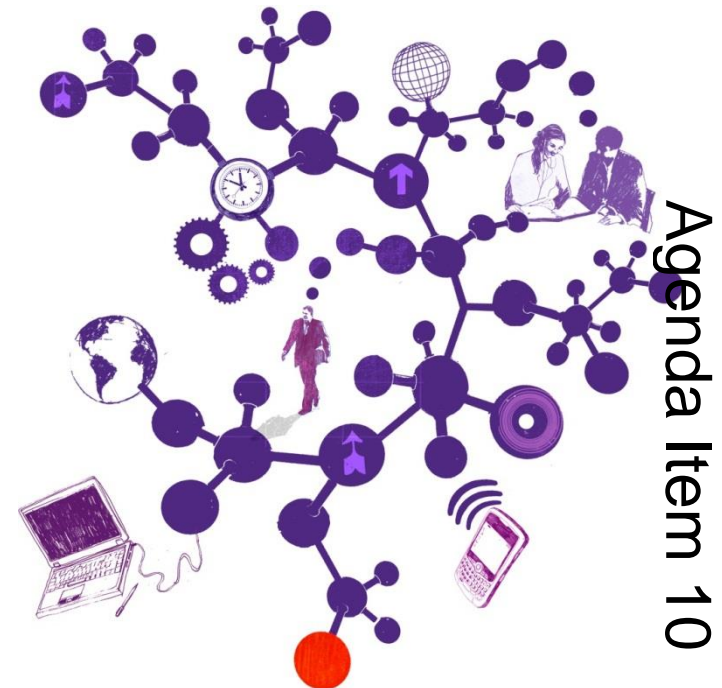
Year ended 31 March 2014

24 March 2014

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Council.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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

Progress at 20th March 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on 2013-14 financial statements.</p>	March 2014	Yes	The audit plan was issued to officers in March and included as a separate agenda item.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February-March 2014	On going	<p>We have commenced our interim accounts audit visit and will have completed this by early April 2014.</p> <p>This has included early work on accounting issues and early substantive testing.</p> <p>We have also commenced our work on the value for money conclusion.</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the accounts • proposed Value for Money conclusion. 	June – July 2014	No	The final accounts audit is scheduled for June/July 2014.

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

79% of Councils anticipate Tipping Point soon

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Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Accounting and audit issues

Property, plant and equipment valuation

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.



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