

Public Document Pack

Date of meeting Thursday, 16th April, 2015
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 3 - 6)
To consider the minutes of the previous meeting.
- 4 Corporate Risk Management** (Pages 7 - 46)
- 5 Grant Thornton - Audit Plan for Newcastle under Lyme** (Pages 47 - 64)
- 6 Code of Corporate Governance** (Pages 65 - 78)
- 7 Anti Money Laundering Policy** (Pages 79 - 94)
- 8 Review of the Council's Anti-Fraud and Anti-Corruption Framework** (Pages 95 - 140)
- 9 Appointment of the Independent Member** (Pages 141 - 144)
- 10 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors Loades, Taylor.J (Chair), Allport (Vice-Chair), Mrs Burgess, Jones, Sweeney and Mrs Hambleton

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. Should you require this service, please contact Member Services during the afternoon prior to the meeting.

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, 16th February, 2015

Present:- Councillor John Taylor – in the Chair

Councillors Loades, Mrs Burgess, Jones, Sweeney and Mrs Hambleton

1. APOLOGIES

Apologies were received from Mr Phil Butters from Keele University.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETINGS

Resolved: That the minutes of the meeting held on 17 November, 2014 be agreed as a correct record.

4. CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD OCTOBER TO DECEMBER 2014

The Council's Business Improvement Officer (Risk & Insurance) updated Members on the current position regarding risk management for October to December 2014.

A risk report and action plan were attached to the report. Members were advised that there had been no risk level increases during this period, although there were 18 new risks which fell into the Medium Amber rating.

Members discussed the items contained within the report and made observations. An objection was made to the risk of 'Members not adhering to Officers advice'.

Resolved:

- (i) That the new risks be noted.
- (ii) That the overdue risks and risk rating changes be noted.

5. CERTIFICATION WORK REPORT 2013/2014

Consideration was given to Grant Thornton's Report regarding the Certification of Claims for the Borough Council for 2013/14.

Appended to the report was a letter giving brief comments on the findings of Grant Thornton's work.

The letter stated that there were no issues arising from the work and that they were 'satisfied that the Council had adequate arrangements to compile, complete, accurate and timely claim for audit certification'.

Resolved: That the information be received.

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

Consideration was given to a report regarding high risk recommendations.

The outstanding high risk recommendations which had twice changed the target dates were appended to the report. Also attached was a summary of Outstanding Audit Recommendations and Levels of Assurance for Quarter 3.

Members were advised that the Draft Driving at Work Policy was complete and Officers were satisfied that all of the points had been incorporated into the document along with recommendations for the Draft Vehicle Management Policy.

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

7. INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report updating Members on works being undertaken by the Internal Audit Section for Quarter three.

The Performance Indicators were all on target and recommendations implemented.

The Internal Audit Plan for 2014/15 was attached to the report and listed the areas that had been completed in Quarter three.

Members queried the Website Content review which was referred to in the report which was attached at Appendix A. It was stated that the team either needed external help or extra members of staff. Within the report, reference was made to the skill set which was required. Members suggested that this implied that there were not enough technical staff. Members were advised that this was in relation to training conditions and that it would be part of the recommendations. The Audit Manager was then asked if there was an action plan? This would be reported back to the next meeting.

A further query was raised regarding sundry debtors. Day book sheets were currently being produced manually and sent to the Finance Section. Within the new system these could potentially be produced electronically but there could be some security issues. The Council's Executive Director – Resources and Support Services would update the Committee on this matter at a future meeting.

Finally, Members were advised that the refuse collection staff would be moving over to Mitrefinch – the electronic time recording system by the end of the current financial year.

- Resolved:**
- (i) That the information be received and the comments noted.
 - (ii) That Members receive feedback on the action plan with regard to the 'skill set' for the implementation of a new Content Management System for the Council's website.
 - (iii) That Members receive feedback on the matter regarding issues in relation to raising Sundry Debtor accounts

- (iv) That Members receive an update regarding refuse collection staff moving over to the electronic time recording system.

8. INTERNAL AUDIT PLAN

Members considered a report regarding the proposed Internal Audit Plan for 2015/16 and seek approval for the contents.

A copy of the Plan was attached to the report at Appendix A as was the methodology used (Appendix B).

There were some new areas included for next year – safeguarding, transparency and ethical governance.

A new system was in the process of being installed with a view to this being operational by quarter two of 2015/16. A number of authorities were using the package but it could be tailored to this authority.

- Resolved:**
- (i) That the Internal Audit Plan for 2015/16 be approved.
 - (ii) That the continuation of the reporting arrangements, as set out in the report, be agreed.

(a) Audit and Risk Committee Update

A copy of the Audit and Risk Committee Update had been sent to Members in a supplementary agenda. The report updated Members on Grant Thornton's progress in delivering services to the Borough Council as the external auditor.

Appendix A gave brief comments on the findings of Grant Thornton. Members were advised that there were no actions or recommendations arising from the report.

- Resolved:** That Grant Thornton's Report be received.

9. URGENT BUSINESS

There was no urgent business.

COUNCILLOR JOHN TAYLOR
Chair

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

April 2015

CORPORATE RISK MANAGEMENT REPORT

Submitted by: Head of Business Improvement, Central Services and Partnerships

Portfolio: Communications, Policy and Partnerships

Ward(s) affected: All

Purpose of the Report

To provide Members with the reviewed Risk Management Policy Statement and Strategy documents.

Recommendations

The Committee is asked to:-

- (a) **Approve the current Risk Management Policy and Strategy for the 2015/16 year, subject to changes listed in the documents, and ask that the Chief Executive and Leader of the Council agree and sign the Risk Management Policy Statement.**

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.

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 **Risk Management Policy and Strategy**

Appendix A is the reviewed and updated policy to be accepted and communicated to all officers and Members.

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 facilitates 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**

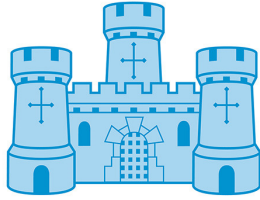
6.1 None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members.

7. **List of Appendices**

Appendix A

8. **Background Papers**

None



RISK MANAGEMENT POLICY STATEMENT **2015/16**

Date of Approval:	July 2014
Approved by:	Audit & Risk Committee
Next review due:	July 2015
Version	5.0
Changes:	See below

Date of Approval:	July 2013
Approved by:	Audit & Risk Committee
Next review due:	June 2014
Version:	4.0
Changes:	See below

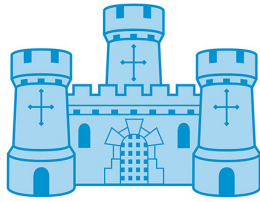
Date of Approval:	July 2012
Approved by:	Audit & Risk Committee
Next review due:	June 2013
Version:	3.0
Changes:	See below

Date of Approval:	June 2011
Approved by:	Audit & Risk Committee
Next review due:	June 2012
Version:	2.1
Changes:	Compare with previous version 1.0 April 2010

Previous Date of Approval:	April 2010
Approved by:	Audit & Risk Committee
Next review due:	April 2011
Version:	1.0

Changes	07/07/2011	1. Pg 6 – rating on matrix changed from Green 3 to Amber 3 – this is followed through on the Appendices as requested by Audit & Risk Committee
Changes	08/06/2012	1. Page 1 – Title date changed to 2012/13
		2. Page 2 para 2.2 – changed transformation to change
		3. Page 3 para 3 – full stop inserted after third bullet point
		4. Page 4 para 6 – full stop inserted at end of list
Changes	12/06/2013	1. Page 1 – Title date changed to 2013/14
		2. Page 5 para 3d – amended corporate priority
		3. Page 7 para 7 – amended wording in 6th bullet point
Changes	30/06/2014	1. Page 1 – Title date changed to 2014/15
		2. Page 5 – Corporate priorities amended
		3. Page 7 – Leader of the Council details amended
	25/03/2015	No changes made except dates

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NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

RISK MANAGEMENT POLICY STATEMENT 2015/16

1. Purpose

The purpose of this policy statement is to recognise and communicate the responsibility of Newcastle-under-Lyme Borough Council ('the council') in managing both external and internal risks through identified and endorsed best practice as described by the Association of Local Authority Risk Managers (ALARM), CIPFA and other relevant bodies connected to effective risk management. There is also an agreed responsibility on the council to identify, examine and cost effectively control risks to ensure they are eliminated or reduced to an acceptable level.

The overall policy, therefore, demonstrates the Council's ongoing commitment to maintain risk management as an important part of the daily operations of the council.

2. Commitment to Risk Management

The Leader of the council, the council's Cabinet portfolio holders and the council's Executive Management Team (EMT) are committed, collectively, to:-

- Identifying and adopting best practice, where possible, in the identification, evaluation and cost effective control of risks;
- Ensuring risks are reduced to a level that sits within the council's appetite, and/or eliminated; and;
- Maximising opportunities to achieve the council's corporate priorities and to deliver core service provisions at all times

2.1 It is acknowledged that some risks will always exist and will never be eliminated. These risks, therefore, will be tolerated or mitigated by the council and the council will ensure that they are reviewed and reported on a regular basis to ensure they do not worsen.

2.2 All employees must understand the nature of any risk and accept responsibility for those risks associated with their area of work. In doing so they will receive necessary support, assistance and commitment from senior management and elected Members.

2.3 The council's risk management objectives are an important part of good management and effective governance practices. These objectives need

the full and continuing support of elected Members and the active participation of Executive Directors and Heads of Service in ensuring that they are realised and actioned where possible.

Risk management is one of the principal elements of Corporate Governance and is a key contributor to ensuring a sound internal control environment at any organisation. Through the implementation and embedding of an effective risk management framework, the council will ensure that it is better placed to positively manage its levels of performance, achieve its corporate priorities and provide an enhanced level of service to its stakeholders, including the citizens of the Borough.

- 2.4 This strategy, therefore, sets out and demonstrates how the council is discharging its responsibility to manage risk effectively and also how it is maximising opportunities to do so by using a structured and focused approach to risk management.
- 2.5 The council will continue to develop and maintain a systematic framework and process for managing strategic, operational, project and partnership risks and will review this framework annually. This will include assessing risks for impact and likelihood, identifying and allocating responsibility for their mitigation and receiving assurances about ongoing management of these risks.
- 2.6 The key benefits of this framework and a strong risk culture throughout the organisation are:-
- A consistent focus on what needs to be done to achieve our objectives;
 - The encouragement of enhanced partnership working to identify, manage and mitigate the risks facing the community as a whole;
 - Delivering improvements in meeting the needs of the community, minimising complaints and achieving improvements in service delivery;
 - Supporting the use of innovative approaches to improving outcomes and achieving better value in the use of public money;
 - Better management and delivery of change programmes;
 - Greater control of insurance costs, including reductions/limitations in insurance premium costs;
 - Protection and enhancement of the reputation of the council; and
 - To anticipate and respond proactively and reactively to the changing social, environmental, political, legislative, economic, technological context the council works within and also to deal with a whole range of competitive and citizen-based requirements.
- 2.7 Newcastle-under-Lyme Borough Council is committed to genuinely embedding risk management and all its elected Members, employees, service providers, partners and stakeholders are encouraged and expected to commit to developing the culture, ethos and practice of risk management in every activity they undertake. The overall risk

management approach for the organisation will therefore focus on pragmatic, meaningful assessment and treatment of risks and will discourage the capturing of generic, intangible corporate risks or non-relevant information where possible.

- 2.8 Risk is not restricted to potential threats but can be connected with opportunities. Good risk management can facilitate proactive, rather than merely reactive, defensive responses. Measures to manage adverse risks are likely to help with managing opportunities both in the short and the long terms.

This policy, therefore, provides a clear statement of direction for risk management as it is operated in the council and also by the council in dealings with other bodies.

3. **The council**, in providing a risk management function: -

- Recognises that good risk management practice is an integral part of management responsibilities if the highest quality services are to be delivered to the community in the most cost effective way;
- Recognises that risk management can be used as a valuable tool at a corporate level as well as at operational/service/functional level;
- Is committed to manage all of its activities in a way which minimises risks to people, property, services and its finances and to protect its assets through effective and efficient risk management; and
- Recognises that effective risk management is an integral part of robust performance management and good governance within the Council, as managing identified risks and controlling the potential negative consequences, whilst identifying opportunities, helps to ensure the delivery of objectives and priorities.

The council's key corporate priorities, as set out in the Council Plan, are:-

- (a) A cleaner, safe and sustainable borough;
- (b) A borough of opportunity;
- (c) A healthy and active community; and
- (d) A co-operative council delivering high quality, community driven services

Each of these priority areas has a number of objectives within them which the council works towards on an on-going basis as part of service planning and organisational development. Progress against these is measured and publicly reported through a number of different channels.

The council has a statutory responsibility to have in place arrangements for managing risks as stated in the Accounts and Audit Regulations:-

‘A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.’

4. In order to manage risks the council has adopted an approach that is used across all services. The Council acknowledges that risks occur in the day to day delivery of services, the delivery of individual projects and initiatives and in relation to any important decisions facing the council and its key partners. We should do what is reasonable to prevent or minimise the impact of these risks and to maximise opportunities when they arise.
5. The rationale behind the risk management process is that the predictable risks are identified and managed, allowing the greatest level of control possible to be put in place. In this sense the risk management process then allows managers to free up capacity to deal with any as-yet unidentified risks as they emerge.
6. To meet the responsibilities above, the council will: -
 - Ensure that risk management retains a high profile in the culture of the council;
 - Ensure clarity as to what needs to be done to achieve objectives;
 - Manage risk in accordance with best practice in line with ALARM & CiPFA guidance and advice;
 - Anticipate and respond to changing social, environmental, legislative, political, economic, technological, competitive and citizen requirements;
 - Prevent injury, damage and losses and reduce the cost of risk where possible;
 - Protect the council’s assets;
 - Provide the best possible service to customers;
 - Maintain the reputation of the council;
 - Realise opportunities;
 - Promote innovation to achieve objectives; and
 - Ensure that risk management arrangements with our partners are robust.
7. The above will be achieved by:-
 - Reporting risk to individual Executive Directors and Heads of Service; Departmental Management Teams (DMTs), Wider Management Team (WMT), EMT and the council’s Audit & Risk Committee;
 - Implementing a Risk Management Strategy that establishes clear roles, responsibilities, escalation and reporting lines within the council for risk management;
 - Providing opportunities for shared learning around risk management across the council;

- Offering a platform for identifying and prioritising risk areas;
 - Reinforcing the importance of effective risk management as part of everyday work of employees;
 - Incorporating risk management considerations into all aspects of the council's work including risk management capabilities in to policy and strategy making, service plans and performance challenge of Heads of Service;
 - Monitoring arrangements on an ongoing basis;
 - Regularly reviewing its arrangements to ensure it is following best practice and will consult with stakeholders; and
 - Engaging with stakeholders, including key partners and contractors, to develop their understanding of risk management and to ensure that they are engaged in effective risk management themselves.
8. The Chief Executive and Leader of the Council will be asked to sign off the policy and strategy as part of displaying both their commitment to risk management and also the organisation's commitment to these processes.

Signed:

Date: 25/03/2015

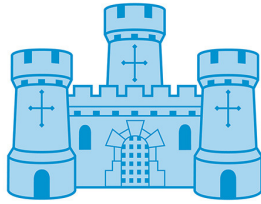
Councillor M Stubbs
Leader of the Council

Signed:

Date: 25/03/2015

Mr J Sellgren
Chief Executive

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RISK MANAGEMENT STRATEGY 2015/16

1. Purpose

The purpose of this strategy is to: -

- Demonstrate how the Risk Management policy is to be implemented through Newcastle-under-Lyme Borough Council's commitment to risk management;
- Describe the objectives of risk management and provide a framework for embedding risk management further across the organisation with defined roles and responsibilities and a structured process. This will then ensure that opportunities are maximised and risks minimised; and
- Enable the council to develop risk management further through its effective use in its management and decision making processes.

2. Objectives of the Risk Management Strategy

The objectives of the strategy are:-

- To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand how they should contribute to effective risk management;
- To ensure a consistent process for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the council is implemented, understood and embraced by all staff and members;
- To embed risk management into the ethos, culture, policies and practices of the council;
- To ensure that risk management is a key and effective contributor to the Annual Governance Statement; and
- To manage risk in accordance with recognised best practice through guidance provided by the Association of Local Authority Risk Managers (ALARM) & CIPFA (together with other relevant bodies)

3. Achievement of objectives

- 3.1 To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand that they should contribute to effective risk management.*

Responsibility for risk management runs throughout the council and involves elected Members, senior officers and all other employees (see Appendix A). Clear identification of roles and responsibilities will ensure that risk management is embedded in all policy making, decision making, policy approval (strategic) processes and service delivery (operational) processes, as well as providing sufficient resources to both implement this strategy and thus ensuring systems are sustainable.

The roles and responsibilities are outlined at appendix A.

3.2 To ensure the implementation of a consistent process for the identifying, evaluating, controlling, reviewing, reporting and communicating of risks across the council that is understood and embraced by all key stakeholders

To assist with the approach to risk management and to ensure consistency across the council, a guidance document (appendix B) on the council's risk management process has been devised and developed for use by relevant individuals, services and organisations.

By effectively managing risks and opportunities the council will be in a stronger position to deliver its: -

- Objectives;
- Services to the public;
- Partnership working agenda;
- Best value/value for money procedures and processes; and
- Identified outcomes

It will also inform the business processes of the council including: -

- Strategic/corporate planning;
- Financial planning;
- Service planning;
- Policy making and policy reviews;
- Performance management framework;
- Project management processes and frameworks;
- Partnership working;
- Internal controls and internal audit; and
- Business continuity and emergency planning arrangements

With responsibility for achieving objectives sits identifying risks, assessing them, developing controls and warning mechanisms, reviewing and reporting on progress by key individuals within the organisation.

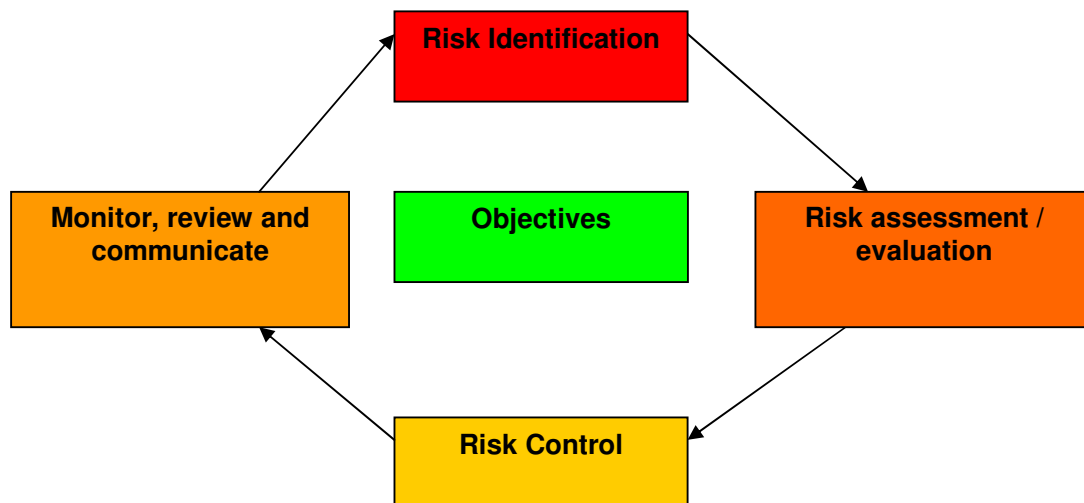
Some objectives, however, are reliant on external organisations with whom the council works e.g. key partners and contractors. Working with external organisations could affect the achievement of objectives and this also must be taken into account when delivering the key elements of this strategy.

The strategic risk champion and other nominated risk champions have responsibilities including the support, challenge and recording of risks within their directorates or service areas. They will assist in the compiling of risk registers, whilst ensuring that the risk management strategy is adhered to as far as is possible. Officers who are involved in specific projects or operational activities will be responsible for identifying, assessing, developing, reviewing and reporting of risks. This will enable constructive discussions of the identification of risks, further actions and controls for the profiles to be undertaken on an ongoing basis.

The management of risk is an important part of the corporate planning and policy making/decision making processes and also in the key areas of project and change management.

Below is a summary of the council's risk management process. For an in-depth explanation, please refer to appendix B.

Summary Guide



3.2.1 Objectives

Any organisation is primarily concerned with the achievement of objectives. You need to know what you are trying to achieve before you can start to think about the risks that could have an impact on your success.

The more clearly objectives are defined, the more it will help you consider those risks that could actually impact on your objectives. When setting objectives remember to make them **S**pecific, **M**easurable, **A**greed, **R**ealistic and **T**ime bound (SMART).

At strategic level - the Council has four Corporate Priorities to which strategic risks are linked.

At operational level - each service has a number of business objectives contained within each service and financial plan to which operational risks are linked.

At project level - the relevant project brief or project initiation document details the aims and objectives of the project.

At partnership level - the partnership agreement or other formally agreed arrangements will detail the aims and objectives of the partnership.

3.2.2 Risk identification

What could go wrong?	Use available documents e.g. Council Plan, Service Plan, appraisals etc to establish what is planned and start to identify what risks could occur as a result of these plans
Ensure risks are structured – what are the key elements to each risk?	E.g. if we don't review and manage our budgets, is there a risk we could overspend? What things are we looking at in terms of a risk like this?
What type of risk is it?	Strategic, Operational, Project
What category is it?	e.g. political, e-Government/ICT, regulatory, financial/fraud, opportunities, reputation, management, assets, new partnership/project, customer/client/citizen Environmental (see Appendix B(i))

At strategic level, Executive Directors identify strategic and cross-cutting risks through facilitated awareness sessions. The risks identified are:

- Those that could significantly impact on the achievement of the Council's overall priorities;
- Those that are recorded in the Strategic Risk Register; and
- Those that can be used to inform policy decisions.

At operational level - Business Managers identify operational risks which may prevent them from achieving business objectives identified in their service plans, as well as any measures and actions to manage these risks. The risks identified are: -

- Those that could significantly impact on the achievement of the Business objectives;
- Those that are recorded in each Directorate's Operational Risk Register; and
- Those that can be used to inform meetings/actions between Business Managers and Heads of Service, and completion of the day to day services.

At project level - Project Managers will identify the risks that could impact on the successful delivery of the project. The risks identified are: -

- Those that could significantly impact on the achievement of the project;
- Those that are recorded in the Project Risk Register;
- Those that can be used to inform both strategic and operational risk identification

At partnership level - the Council has developed a working agreement to instigate the Lead Partner risk management framework. This will deliver

- A framework for all staff involved in considering new partnership workings.
- Assist members and officers wishing to review existing arrangements.

3.2.3 Risk assessment/Evaluation

In assessing and evaluating the risks identified, you need to ask a number of fundamental questions. From this, you will get a risk 'score' (or rating). This 'score'/rating will determine your future actions.

What would be the impact on the council if the risk actually happened?

How likely is it to happen?

Based on the answers above, plot the rating on the table opposite

The bold line on the matrix is the limit of the council's risk appetite, i.e. how much risk it is willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii))

L I K E L I H O O D	HIGH	Amber 7	Amber 8	RED 9
	MEDIUM	Green 4	Amber 5	Amber 6
	LOW	Green 1	Green 2	Amber 3
		Low	Medium	High
Impact				

3.2.4 Risk Control

Risk control is the name given to the process of working towards mitigating the identified risks. This is done by identifying possible actions which may reduce either the impact or the likelihood of the risk and will therefore mean that the final rating is contained within the council's risk appetite (the green and amber sections of the table above). In undertaking risk control a number of questions can be asked as part of the risk management process.

Who owns the risk?

What could should be done to reduce the impact and/or likelihood of the risk?

What else do you need to do in controlling the risk?
(see Appendix B(iii))

Priority	Review Period (months)	Action			
		Tolerate	Treat	Transfer	Terminate
High	1		√	√	√
Medium	2 - 6	√	√	√	√
Low	9 - 12	√	√	√	√

3.2.5 Monitor, Review and Communicate

Key questions to consider as part of this process: -

- Are the controls you have put in place effective?

- Has the risk changed either as a result of what you have done or other factors?
- Does it need escalating, having gone through all the checks you need to make?
- Are new risks evolving as a result of the existing risk or due to other factors?
- Who do you need to inform – internally and externally to the council?

Key to what prompts what kind of action: -

Red	High risk, prompt action, contingency plan, monitor at least monthly
Amber	Medium Risk, contingency plan, monitor at least quarterly
Green	Low risk, monitor at least half annually

3.3 *To embed risk management into the ethos, culture, policies and practices of the council*

Risk management is well established at the council but this strategy is seeking to build on it. The aim is to ensure that risk management plays an integral part in decision making and the day to day business of the council in a structured uniform manner.

Risk management will be part of and included in the council's processes, policies and documents but not limited to: -

- Development and maintenance of the Constitution;
- Economic Development Strategy;
- Stronger and Safer Communities Strategy;
- Health and Well Being Strategy;
- Co-operative Strategy;
- Council Plan;
- Medium Term Financial Strategy;
- Service Plans;
- Code of Corporate Governance;
- Code of Practice on Procurement;
- Reports to support key decisions;
- Performance management;
- Policy planning; and
- Financial management

3.4 *To continue to ensure that risk management is a key and effective contributor to the Annual Governance Statement*

To achieve this: -

3.4.1 Heads of Service are required to make statements as to the effectiveness or otherwise of their systems for identifying, monitoring and managing corporate and operational risks. This is confirmed by each Executive Director signing a Controls Assurance Statement each year.

3.4.2 Confirmation is obtained from the Corporate Governance Working Group and the Audit & Risk Committee and internal Audit, who use CiPFA best practice that the council's risk management framework is judged to be sufficiently robust and that assurance statements properly reflect the risk environment and its management of those risks.

3.4.3 The risk registers of the council will be a factor in internal audit planning.

3.5 *To manage risk in accordance with best practice*

3.5.1 The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations:

'A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk'.

Risk management is recognised as an important element of good governance. The CIPFA/SOLACE governance framework "Delivering Good Governance in Local Government" seeks to ensure that risk management is embedded into the culture of the authority with members and officers recognising that risk management is part of their jobs.

- 3.5.2 Good internal control ensures that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded and records complete and accurate.
- 3.5.3 Performance monitoring ensures the treatment of risk remains effective and the benefit of implementing risk control measures outweighs the costs of doing so. It is a continual review not only of the whole process but also of individual risks or projects and of the benefits gained from implementing risk control measures.
- 3.5.4 Data quality needs to ensure that the data used for performance monitoring and to inform decision making is accurate, reliable, timely and fit for purpose. If data is misleading, it could lead to flawed decision making, wasted resources, services that may not improve and the development of ill-founded policy.
- 3.5.5 The business continuity process is a form of risk management applied to the whole council and its ability to continue with its service provision in the event something occurring which potentially affects that ability. The council must ensure risk management processes are applied throughout the business continuity lifecycle.
- 3.5.6 The achievement of effective Health and Safety policies, processes and procedures has been committed to by the council with the development of policy and guidance specifically addressing the management of health and safety risks.

4. Conclusion

By embracing risk management, the council will make the most of the opportunities which it faces whilst operating within a risk-aware environment.

Date of Approval:	July 2014
Approved by:	Audit & Risk Committee
Next review due:	April 2015
Version:	5.0
Changes:	See below

Date of Approval:	July 2013
Approved by:	Audit & Risk Committee
Next review due:	June 2014
Version:	4.0
Changes:	See below

Date of Approval:	July 2012
Approved by:	Audit & Risk Committee
Next review due:	June 2013
Version:	3.0
Changes:	See below

Date of Approval:	June 2011
Approved by:	Audit & Risk Committee
Next review due:	June 2012
Version:	2.1
Changes:	Compare with previous version 1.0 April 2010

Previous Date of Approval:	April 2010
Approved by:	Audit & Risk Committee
Next review due:	April 2011
Version:	1.0

Changes	07/07/2011	1. Pg 6 – rating on matrix changed from Green 3 to Amber 3 – this is followed through on the Appendices as requested by Audit & Risk Committee
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Changes	04/07/2012	1. Pg 1 – Year amended from 2011/12 to 2012/13
		2. Pg 2 – para 3.2 comma removed
		3. Pg 4 – para 3.2.2 “At Operation Level” – removed ‘and financial’
		4. Appendix A – Portfolio Holder title amended to read Communications, Transformation and Partnerships Portfolio Holder, and grammer change in role description
		5. Appendix B – step 5 – grammatical changes to the fourth bullet point and a space removed from last para.

Changes	11/06/2013	1. Pg 1 – Year amended from 2012/13 to 2013/14
		2. Corporate Plan amended to Council Plan throughout document
		3. Pg 8 – para 3.3 – additions made to list of documents
		4. Appendix B(ii) – Cost impact levels reduced in response to the current financial situation imposed by the budget cuts
Changes	30/06/2014	1. Pg 1 – Year amended from 2013/14 to 2014/15
		2. Pg 5 – wording amended to Partnership level to reflect that the council follows the Lead Partner’s risk management framework.
		3. Foot amended to show author, page number and date of changes
	25/03/2015	No changes made except dates

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APPENDIX A

Group/Individual	Roles and Responsibility
Leader of the Council	<ul style="list-style-type: none"> Promotes the concept and practice of risk management across the organisation and amongst all elected Members
Communications, Policy and Partnerships Portfolio Holder	<ul style="list-style-type: none"> Member risk champion Promotes the concept and practice of risk management across the organisation and amongst all elected Members To receive quarterly updates on risk from the Head of Business Improvement and Partnerships for inclusion in Informal Cabinet meetings where appropriate
Audit & Risk Committee	<ul style="list-style-type: none"> Approves and agrees changes to the risk management policy, strategy and action plan Monitors the council's risk management arrangements Monitors the council's high level risks as and when they occur Provides independent assurance that the risk management framework and associated control environment is being managed effectively and the statement of internal control correctly reflects the risk environment
All elected Members	<ul style="list-style-type: none"> Advocate good risk management processes Ensure that risks have been robustly assessed in reports presented to elected Members
Chief Executive	<ul style="list-style-type: none"> Ultimate responsibility for strategic and operational risk management across the council Ensures that all strategies and policies contain risk management as an inherent part of their structure which helps drive the organisational change leading to excellence Ensures that risk management practices across the council reflect best practice. Ensures that risk management issues are fully considered in the decision making process. Drives excellence through the council with strong support and well managed risk taking. Ensures that the council manages its risks effectively through the development and monitoring of its risk management strategy.
Executive Director (Resources & Support Services) - Chair of Corporate Governance Working Group (CGWG)	<ul style="list-style-type: none"> Ensures that Executive Management Team (EMT) are aware of any issues that have been escalated by the CGWG and cannot be resolved and ensures that these are noted in minutes of EMT and actioned accordingly either by or on behalf of EMT Provides assurance to the Audit & Risk Committee

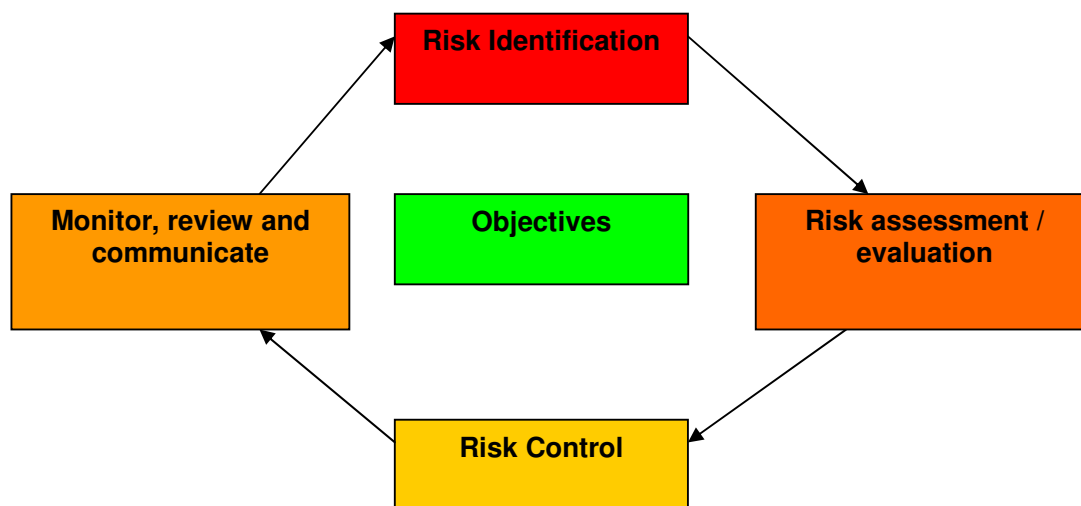
	<p>as appropriate that the risks are being managed in accordance with the Risk Management Strategy</p>
Executive Directors (EMT)	<ul style="list-style-type: none"> • Ensure that the risk management process is promoted, developed, managed and implemented effectively in their service areas. • Make decisions with their heads of service as to which service risks may warrant inclusion on their strategic risk register • Take ownership of strategic risks in their directorates and include them in the strategic risk register • Disseminate relevant information to service managers and employees • Escalate where necessary any issues that cannot be resolved to the Audit & Risk Committee for advice on decisions • Establish and monitor a rolling programme of operational risk reviews • Promote good risk management practice throughout the council in conjunction with CGWG • Ensuring that when Cabinet reports are written by their officers, that a relevant up to date risk assessment is provided where applicable, before being signed off for submission to Cabinet • Ensure that the appropriate portfolio holder is aware of detailed risk assessments when discussions begin on any proposal
Corporate Governance Working Group (CGWG)	<ul style="list-style-type: none"> • Promote good risk management practice throughout the council in conjunction with EMT • Support the development of the risk management process, share experience on risk and aid/advise in the review of risk management reviews • To review the risk management policy and strategy where necessary • To identify trends and priorities across the council • Liaise with specialist risk groups in order to inform the strategic risk registers • Ensure processes are in place to report any new/perceived (key) risks or failures of existing control measures • Report on key performance results to EMT and Audit & Risk Committee • To accept and make decisions on the course of action of any issues brought to them by DMT or the strategic risk champion • To escalate any issues to EMT brought to the group by DMT or the strategic risk champion, where a stronger decision is needed and cannot be resolved at this level
Directorate Management	<ul style="list-style-type: none"> • Ensure the completion of project risk registers where

<p>Teams (DMTs)</p> <p>Wider Management Team (WMT)</p>	<p>appropriate (DMT)</p> <ul style="list-style-type: none"> • Liaise with specialist risk groups in order to inform the any relevant strategic and operational risk profiles (e.g. Health & Safety, legal, environmental) (DMT/WMT) • To accept and make decisions on any issues escalated to them by the risk champions (DMT) • To escalate, where necessary, any risks, overdue actions and reasons for such, overdue risk reviews to the CGWG, where a higher decision is needed and cannot be resolved at this level (DMT) • Monitor the implementation of action plans and control assurance programmes (DMT/WMT) • Report key performance results (DMT) • Promote and share best practice across the directorate (DMT) • Monitor (and share with the director) situations where: - <ul style="list-style-type: none"> - risks are rising in the level of security; - circumstances where managers have been unable to implement the agreed mitigating actions; - risks could potentially have an impact on other services (DMT) • To understand the escalation process of risks, action plans and issues (DMT/WMT) • To accept the notification of any incidents or near-misses reported to them by employees or risk champions, and record them appropriately (DMT)
<p>Head of Business Improvement & Partnerships (BIP)</p> <p>Business Improvement Manager (BIM)</p> <p>Business Improvement Officer (Risk) (BIO)</p>	<ul style="list-style-type: none"> • Develop and maintain a risk management process reflecting established best practice (BIP/BIM/BIO) • Lead on the annual review of the risk management policy, strategy and methodology, helping to ensure all aspects of the process remain robust. (BIP/BIM/BIO) • Ensure risks are reviewed and reported to management in line with the timelines in the risk management framework (BIM/BIO) • Collate and administer the strategic risk registers (BIO) • Prepare annual and quarterly risk management reports for the Audit & Risk Committee (BIM/BIO) • Identify and communicate risk management issues to DMT/EMT for dissemination to services and assist in undertaking risk management activity through guidance, training or direct support. (BIM/BIO) • Promote risk management process throughout the council with both members and officers ensuring the process is embedded, effective and reflects best practice. (BIP/BIM/BIO)

	<ul style="list-style-type: none"> • Consult with Executive Directors concerning risk issues (BIP) • Act as a lead support officer for the CGWG (BIP/BIO) • Manage the insurance fund and external insurance contract (BIO) • Liaise with external insurers to ensure that future premiums reflect all risk management activities being undertaken (BIO) • Administer the designated risk management system for managing and controlling risks (BIO) • Monitor and report to the CGWG any issues that arise either from strategic risk reviews, overdue risk review reports, non-compliance with guidelines laid out in the risk management framework/approach by employees of the council, reported to them by the operational risk champions (BIP/BIM/BIO) • Identify any emerging risks and incorporate into the relevant risk registers (BIO) • Report to the CGWG any further support required (BIP)
Operational Risk Champions	<ul style="list-style-type: none"> • Create and maintain operational risk registers in conjunction with heads of service. • Monitor and report to their respective DMTs any high risks and any issues that may arise in respect of overdue actions/overdue reviews and other problems they encounter for them to either deal with or to escalate to the CGWG via the strategic risk champion. • Update the operational risk profiles on the designated risk management system. • Report to the BIO any further support required. • Ensure that incidents occurring or near-misses are reported to DMT.
Employees	<ul style="list-style-type: none"> • Manage risks effectively in their jobs. • Raise any perceived/new risks for their service area with the appropriate line manager/business manager/head of service or risk champion for inclusion in the risk register. • Report any incidents or near-misses to their risk champion or head of service.

APPENDIX B

Risk Management Process



Step	Title	Description
1	Objectives	<p>Start of the process – concerned with achievement of objectives – the clearer the objectives then more chance there is of achieving them.</p> <p>Objectives must be <u>SMART</u> – <u>S</u>pecific, <u>M</u>easurable, <u>A</u>greed, <u>R</u>ealistic, <u>T</u>imeband.</p> <p><i>Strategic:</i> the council has four priorities to which strategic risks are linked <i>Operational:</i> each service has a number of business objectives contained within the Service Plan to which operational risks are linked <i>Project:</i> each project unitation document details the aims and objectives of the project <i>Partnership:</i> the partnership agreement or formally agreed arrangements will details the aims and objectives of the partnership</p>
2	Risk identification	<p>Risk identification tries to identify the council’s exposure to uncertainty. You need to use your imagination, creativity, involvement and experience in this part of the process. Identify the risks that <i>may</i> stop you from meeting your objectives – it may be useful to use the list of risk categories as a guide: political; e-government; regulatory; financial/fraud; opportunities; reputation; management; assets; new partnerships/projects;</p>

		<p>customers/clients/citizens/children; environmental (a description of these can be found at appendix B(i).</p> <p>Strategic risks are those that</p> <ul style="list-style-type: none"> • Could impact significantly on the achievement of the council's four priorities • Are recorded in the strategic director risk assessments • Used to inform policy decisions <p>Operational risks are those that</p> <ul style="list-style-type: none"> • Impact significantly on the business objectives • Are recorded in the individual service risk registers • Are used to inform the Heads of Service <p>Project risks are those that</p> <ul style="list-style-type: none"> • Could impact significantly on the achievement of the project • Are recorded in the project risk register • Are used to inform both strategic and operational risk identification <p>Partnership risks are those that</p> <ul style="list-style-type: none"> • Could significantly impact on the achievement of the partnerships aims and objectives • Are recorded in the partnership risk registers • Are used to inform both strategic and operational risk identification <p>There are three elements to any risk scenario</p> <ul style="list-style-type: none"> • The vulnerability describes the situation (that may be perceived) that exposes the council to risk • The trigger is an event or change in situation that has a negative/positive result • The consequences are the events that follow should the risk occur
3	Risk assessment/ evaluation	<p>Areas of potential risk need to be systematically and accurately assessed. The process requires an assessment of: -</p> <ul style="list-style-type: none"> • The <i>impact</i> it would have if a risk event occurs • The <i>likelihood</i> of the risk event occurring • Possible resources needed and other implications • The priority of the risk for action in relation to the

		<p>council’s risk tolerance level (amber and green areas on the table/matirx of risk ratings)</p> <p>Once threats and opportunities have been identified their potential “inherent” risk is evaluated – i.e. with no controls in place and using the matrix found in appendix B (ii).</p> <p>The risk is then re-evaluated taking into account the effectiveness of the controls in place. This result is the “residual” risk rating, or – put another way – the final risk rating.</p>
4	Risk control	<p>Some risks cannot be eliminated completely. Risk management is the process of taking action to minimise the likelihood of the risk occurring and/or to reduce the impact if it does happen.</p> <p>To control the possibility of the event occurring, you need to determine a course of action to try to reduce the risk. Such actions are likely to include the following: tolerate (live with the risk), treat (deal with the risk), transfer (move the risk onto another organisation) or terminate (stop doing whatever it is that is creating the risk) – those actions can be determined by the further action plans you put in place to control the risk further (if any). A description of the action categories can be found at appendix B(iii).</p> <p>Clear responsibility for managing the risk to an appropriate ‘risk owner’ must be assigned. The risk owner can then give responsibility of further action to designated officers that enable them to still influence the risk.</p> <p>The further actions must be SMART and must be developed appropriate to the risk identified.</p> <p>Any such actions are entered into the risk register and monitored.</p>
5	Monitor, review and communicate	<p>There must be monitoring and review of:</p> <ul style="list-style-type: none"> • The risk itself • The implementation of the <i>agreed</i> control measures • The effectiveness (or otherwise) of any further actions • Were an incident to occur, it is recorded and used to inform a lessons-learnt report <p>As part of the review cycle, risks and actions will be re-analysed and the cycle will continue as shown in the</p>

		<p>cycle at the top of this appendix.</p> <p>Review and communication of the risks, controls and actions must be reported in line with the timescales shown at appendix B(iv) and dealt with accordingly – i.e. escalated, received and agreed.</p>
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APPENDIX B(i)

Check List for Risk Identification – Categories (not exhaustive)

Political	Politicians and politics, including Member support/approval Electorate dissatisfaction, election changes and new political arrangements
E-Government	Using new or existing technology Lack of, or failure, of technology Lost or stolen data, Inaccurate or poor quality data, Disaster recovery, jacking or corruption of data, breach of security
Regulatory/Legislative	Central government policy, Legislation, internal policies and regulations, grant funding conditions, Data Protection, Freedom of Information, Race Equality and Diversity, Disability Discrimination, Human Rights, Employment Law, TUPE, Health & Safety, Potential for legal challenges, judicial reviews
Financial/Fraud	Budgetary pressures, loss of/reduction in income cost of living, interest rates, inflation etc Financial management arrangements, Investment decisions, Sustainable economic growth Affordability models and financial checks, Inadequate insurance cover External funding issues including loss of (or reduction in) funding System/procedure weaknesses that could lead to fraud
Opportunities	Opportunities to add value or improve customer experience/satisfaction Reduce social exclusion and disparities, Increase employment, education and training Improve health, reduce health inequalities and promote healthy lifestyles Opportunities to reduce waste and inefficiency and minimise the use of natural resources, increase Recycling, minimise air, soil, water, light, noise pollution, greenhouse gas emissions and energy use Reduce the need to travel and encourage the use of public transport, cycling and walking Encourage local sourcing of food, goods and materials, Conserve, restore and enhance biodiversity Reduce crime, fear of crime and anti-social behaviour
Reputation	Consultation and Communication, Negative publicity (local and national) from service or project failure, legal challenges
Management	Key personalities, loss of key staff, recruitment and retention, management arrangements/protocols Lack of/or inadequate management support, poor communication Capacity issues – enough, training issues, availability, sickness absence etc Emergency preparedness/Business continuity
Assets	Land, property, listed buildings and ancient monuments, equipment, information, cultural and recreational assets. Includes health and safety or business continuity, abuse of intellectual property, data protection

<p>New/ongoing Partnerships/ Projects/Contracts</p>	<p>New initiatives, new ways of working, new arrangements/relationships New policies/procedures Managing change</p>
<p>Customers/Citizens Clients/Children</p>	<p>Demographic change, Current and changing needs and expectations of customers Impact on customer of service or project failure, Consumer protection Crime and disorder, Health and Safety risks, Impacts on health inequalities Effects on physical and mental health and sense of social wellbeing, loss of independence and need for social care support</p>
<p>Environment</p>	<p>Policies/plans that significantly affect the environment need a sustainability impact appraisal Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination, pollution, increased waste or emissions, conservation and wildlife, habitats and species issues Impact of planning or transportation policies Climate change such as increased temperatures and flooding, Ecological footprint, flood plains Environmental assets such as landscape, countryside, historic environment and open space</p>

IMPACT MEASURES AND CLASSIFICATION

APPENDIX B(ii)

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening <u>OR</u> permanent disability	Serious injury <u>OR</u> long-term absence from work (over 7 days)	Minor injury <u>OR</u> short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, Wider Management Team reporting
Service Delivery	Serious service failure directly affecting partners, stakeholders (more than 1 month)	Service failure but not directly affecting partners or stakeholders (upto 1 month)	Service disruption (between 1 day to 2 weeks)
Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and Executive Management Team	Wider Management Team

Likelihood Measures

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year <u>OR</u> is highly likely to occur in the next year	An incident has occurred in the past 2-5 years <u>OR</u> is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years <u>OR</u> is likely to occur in the next 6+ years

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

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ACTION CATEGORIES

APPENDIX B(iii)

Action	Description
Tolerate	This action is appropriate when you judge that the control measures in place are sufficient to keep the risk at a tolerable level and there is no added value to doing more.
Treat	Some risks will need additional treatment to reduce their likelihood and/or impact to an acceptable level. This response is most likely where there have been further actions identified that are SMART and the risk rating has been identified as high (red) or in some cases medium (amber).
Transfer	Some risks can be transferred to an insurer or some other party eg legal liability, property and vehicles etc. Some service delivery risks can be transferred to a contractor by way of a contract or written agreement. However some risks cannot be transferred eg reputational risks.
Terminate	Sometimes a risk can be so serious that there is no option but to terminate the activity that is generating the risk.

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RISK MANAGEMENT REVIEWING & REPORTING, COMMUNICATING FRAMEWORK

Final Risk Rating	Risk Action	Management Action required	Review/Reporting required
Red 9	Treat Terminate Transfer	<p>This level of risk is not acceptable and immediate action is required to assess how the risk can be reduced to an acceptable level. Where the impact might result in death, abuse, life threatening <u>OR</u> permanent disability, wherever possible the activity should cease until the risk is effectively managed.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution is found.</p>	<p>The appropriate Executive Director must be made aware immediately and the risk must be escalated to the appropriate group – the Departmental Management Team (DMT) or Corporate Governance Working Group (CGWG), where the effectiveness of the suggested further action, or a decision for the way forward, must be considered. If the risk could affect the whole council or, if wider support is required to manage it, the risk must be escalated to the Executive Management Team (EMT).</p> <p>Progress to manage this risk must be reviewed by the relevant DMT (or WMT where appropriate) and risk owner on a monthly basis and it is expected that the outcome of such a review will be minuted in the appropriate minutes and a comment recorded in the relevant risk register.</p>
Amber 8 Amber 6 Amber 5	Transfer Treat Tolerate	<p>Whilst this level of risk can be accepted, management must first consider all reasonable steps that could be taken to reduce this risk in terms of both likelihood and potential impact.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.</p>	<p>The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group.</p> <p>If wider support is required to control this risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.</p>
Amber 7 Amber 3	Transfer Treat Tolerate	<p>In view of the low likelihood of this risk occurring, this level of risk can be accepted, however management must first consider that all reasonable steps have been taken to reduce this risk in terms of the potential impact.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.</p>	<p>The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group.</p> <p>If wider support is required to control the risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.</p>
Green	Transfer Treat Tolerate	<p>Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact.</p>	<p>The appropriate Business Manager must be made aware of the final rating of this risk and they must consider the effectiveness of the suggest further action (if applicable) and make a decision as to whether the risk should be escalated to the appropriate Head of Service.</p>

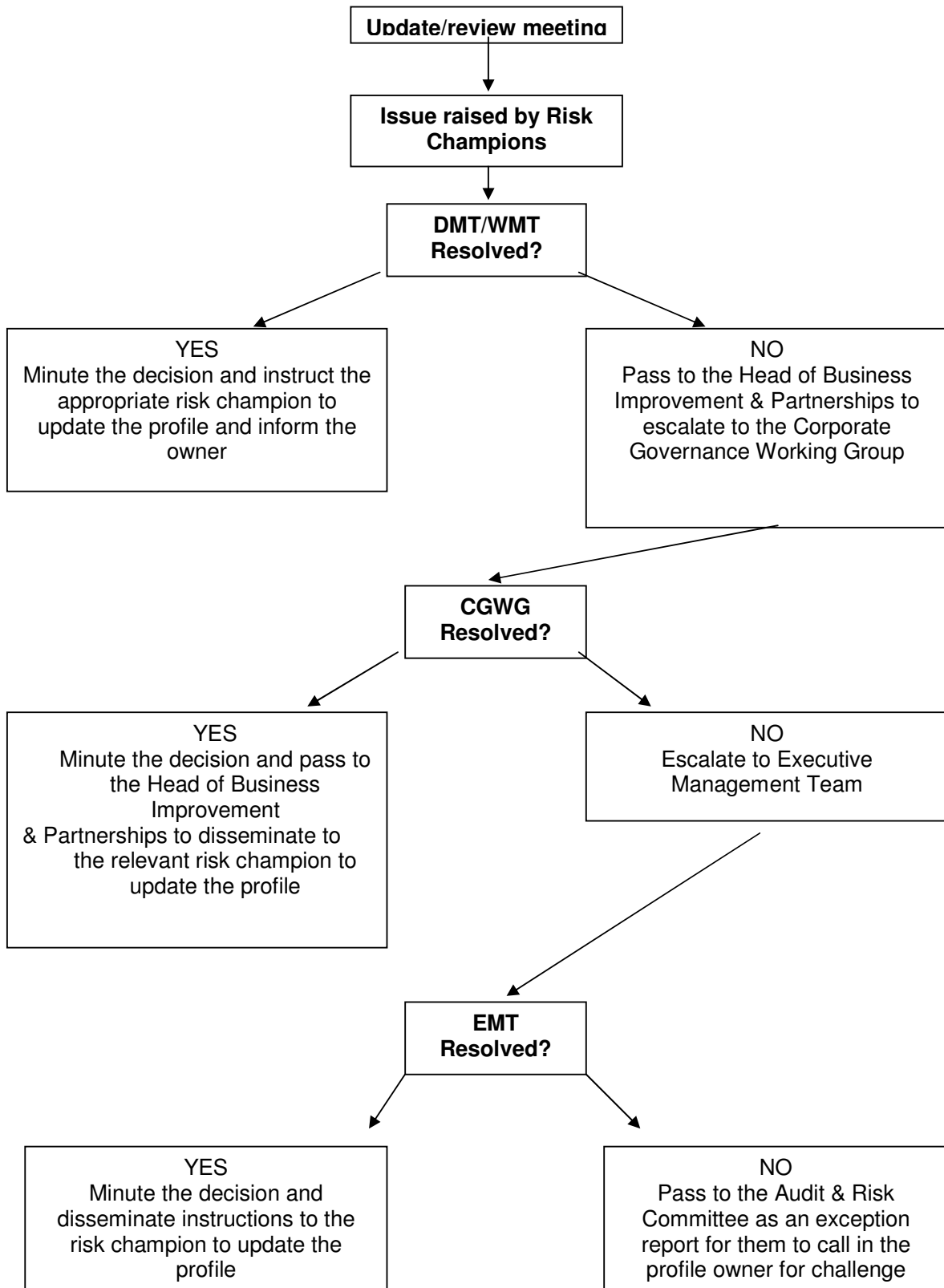
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Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.

If wider support is required to control this risk, it must be escalated to the Departmental Management Team.

Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.

ESCALATION PROCESS



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The Audit Plan for Newcastle Under Lyme Borough Council

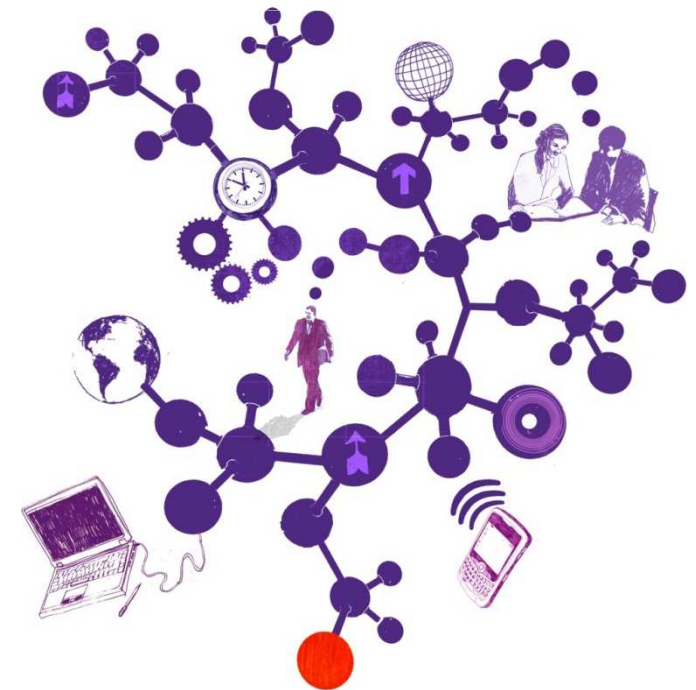
Year ended 31 March 2015

February 2015

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Agenda Item 5

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. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Value for Money
8. Results of interim work
9. Key dates
10. Fees and independence
11. Communication of audit matters with those charged with governance

Understanding your business

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.

Challenges/opportunities

1. Innovative service delivery

- Improved procurement to deliver efficiency savings.
- Moving from the provision to the commissioning of services where financially more advantageous.
- Growing income generation in new areas to counteract the impact of the economic downturn.

2. Financial Pressure

- There are shortfalls in the Medium Term Financial Plan and budget savings need to be identified within the next year.
- There is a risk regarding the Collection Fund Balance with a deficit accumulating which falls as a cost on the General Fund. The new local Council Tax Support Scheme reduces the collection rates.

3. LG Finance Settlement

- The local government spending settlement showed local authorities are facing a cash reduction in their spending power of 6% in 2015-16.
- Increasing demand for services when resources are fixed.

4. Pension Contributions

- You made a prepayment of pension contributions in 2014/15 for contributions up to 2017.



Our response

- We will review the progress you have made in delivering your efficiency savings through innovative service delivery and increasing income generation.
- Our work on the value for money conclusion in 2014/15 will consider the longer term implications of decisions made for service delivery.

- We will discuss your plans in these areas through our regular meetings with senior management and those charged with governance, providing a view where appropriate.

- We will review your Medium Term Financial Plan and financial strategy as part of our work on your arrangements for financial resilience.

- We will review the accounting transactions and disclosures.

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
- Consideration of new group accounting standards (IFRS 10, 11 and 12)

2. Legislation

- Local Government Finance settlement

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

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 through discussions with management and our substantive testing
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly

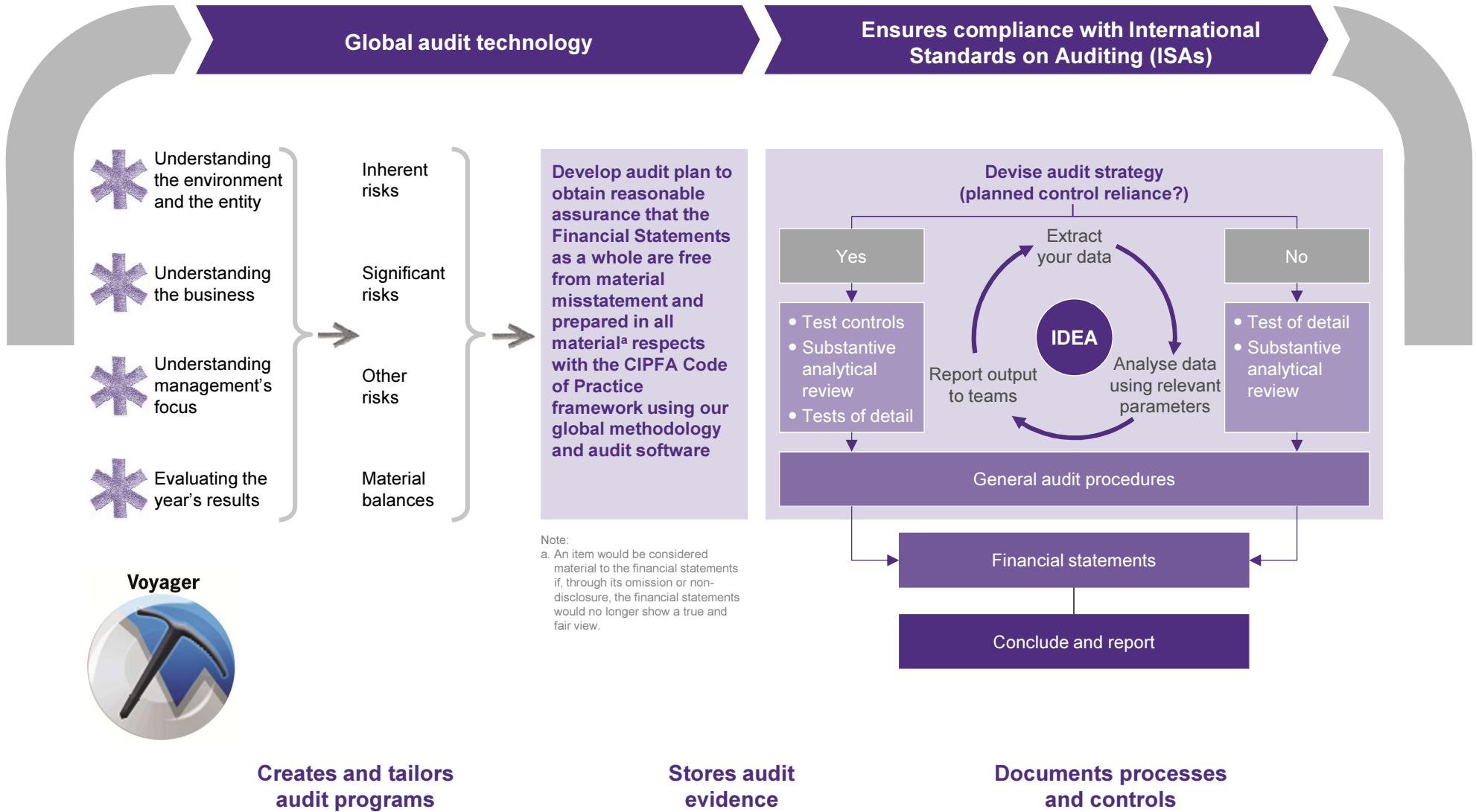
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

- 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 the Council's performance against the 2014/15 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 the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

Our audit approach



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	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Newcastle under Lyme Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<p>Work planned:</p> <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 risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documented the processes and controls in place around accounting for operating expenses. • Walkthrough tests completed to confirm the operation of the controls in relation to the completeness assertion which we consider to present a risk of material misstatement to the financial statements. <p>Further work planned:</p> <ul style="list-style-type: none"> • Test a sample of transactions throughout the year in relation to the Existence/occurrence and Rights/Obligations assertions. • Cut off testing on purchase orders and goods received notes (both before and after year end). • Review of the accruals process.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documented the processes and controls in place around the accounting for employee remuneration. • Walkthrough tests completed to confirm the operation of the controls in relation to the completeness assertion which we consider to present a risk of material misstatement to the financial statements.

Other risks identified cont'd

Other risks	Description	Audit Approach
Employee remuneration cont'd	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Further work planned:</p> <ul style="list-style-type: none"> • Test a sample of payroll transactions throughout the year • Test the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements. • Test a sample of payments made in April and May to ensure payroll expenditure is recorded in the correct year. • Review monthly trend analysis of total payroll.
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documented the processes and controls in place around the accounting for welfare expenditure. • Walkthrough tests completed to confirm the operation of controls in relation to the Valuation assertion which we consider to present a risk of material misstatement to the financial statements. <p>Further work planned:</p> <ul style="list-style-type: none"> • Test the benefits system reconciliation to ensure that information from the benefits system can be agreed to the general ledger and financial statements. • Carry out procedures in accordance with the HB COUNT methodology required to certify the housing benefit subsidy claim

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 have undertaken 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

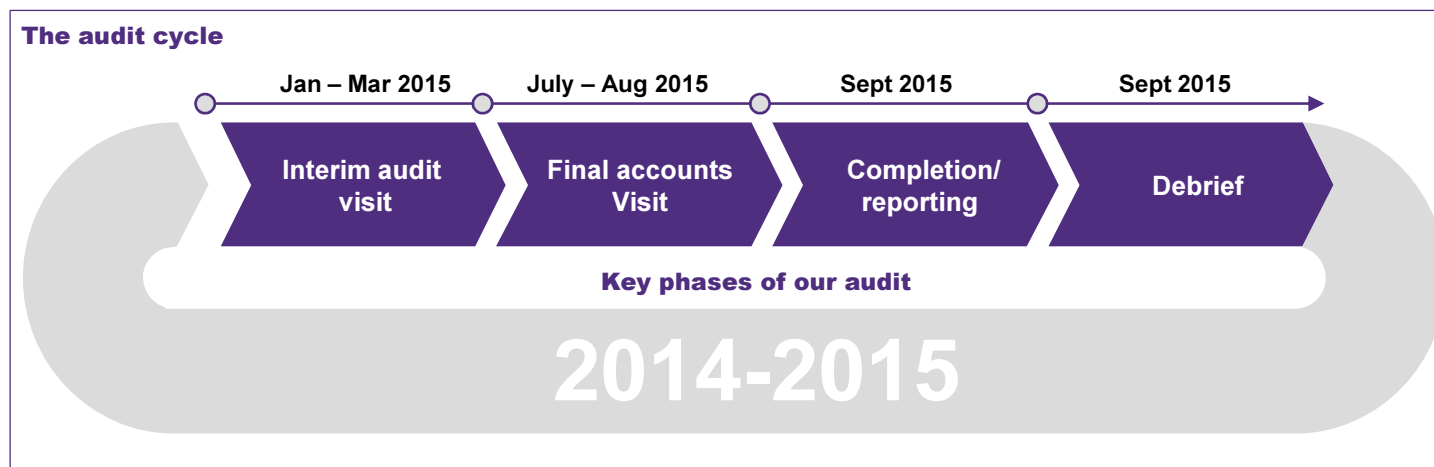
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. 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 have completed 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 has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	<p>We have performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Value for money	<p>We have carried out an initial review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources,</p>	<p>The work informs our conclusion on the arrangements to secure value for money.</p>

Key dates



Date	Activity
January 2015	Planning
January – March 2015	Interim site visit
April 2015	Presentation of audit plan to Audit & Risk Committee
July – August 2015	Year end fieldwork
August 2015	Audit findings clearance meeting
X September 2015	Report audit findings to the Audit & Risk Committee
30 th September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	73,336
Grant certification	8,280
Total fees (excluding VAT)	81,616

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

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, would be shown under 'Fees for other services.'

Fees for other services

Service	Fees £
None	Nil

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

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		✓

Communication of audit matters with those charged with governance (cont)

In addition to the areas covered on the previous page, we are required to consider the following in our discussions with those charged with governance (the Audit and Risk Committee)

Area of consideration	Current understanding based on planning and interim work to date
Awareness of fraud or suspected fraud	There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Risk Committee on a regular basis.
Views about the risks of fraud	Although there is an ongoing risk of fraud being committed against the Council, arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Council.
Awareness of whistleblower tips or complaints	Internal Audit are involved in the investigation of whistleblower referrals or complaints with a potential financial impact. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.
How the Audit and Risk Committee provide oversight of management's fraud risk assessment process	<p>The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Risk Committee on an annual basis.</p> <p>The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.</p>



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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 16 April 2015

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

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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 2014/15, there have been no updates to the CIPFA/SOLACE framework and therefore no amendments to the Code have been required to be made.
- 2.3 The code has also been reviewed against the Grant Thornton – Local Government Governance Review 2015 “All aboard”, which is a report based on a review of the 2013/14 annual governance statements of 140 English councils, fire and rescue authorities and police bodies. Based on a review of this report 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 2014

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
 Grant Thornton – Local Government Governance Review 2015 “All aboard”

14. 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.

	Dated	
	Signed	
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		

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:**

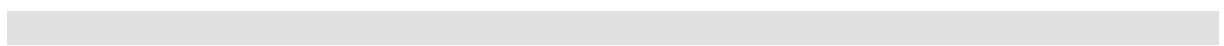
We will demonstrate this by;

- 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
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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:**

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We will demonstrate this by;

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

Classification: NULBC **UNCLASSIFIED**

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

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

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

Date 16 April 15

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 every two years unless changes to legislation require it to be undertaken sooner.

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. There have been no changes to the legislation during the previous year and therefore in this respect the policy remains unchanged. The only change to this policy has been to include a review period of every 2 years, unless there are any legislative changes that come into force that require this to be undertaken sooner.
- 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

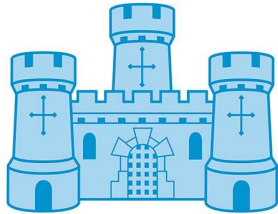
13. **List of Appendices**

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

2015-16

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.

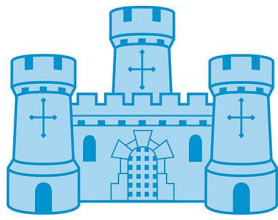
4. Review of this policy

This policy was last reviewed in March 2015 and will be subject to a review every 2 years unless any changes or updates to any of the relevant legislation require that it is undertaken sooner.

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)		

Classification: NULBC UNCLASSIFIED

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Classification: NULBC UNCLASSIFIED

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	

Classification: NULBC UNCLASSIFIED

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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.

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

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

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

Date 16 April 2015

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 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 regularly reviewed to ensure that they remain relevant for the authority. There have been no new legislative changes since the last review and therefore the policies remain unchanged in this respect. The policies have however been updated to reflect a review period of every two years, unless any legislative change requires them to be reviewed sooner.

1. Background

1.1 Fraud and corruption present risks to all sectors of the UK Economy whether they are the public, private or third sectors. The impact of both fraud and corruption on organisations can have a significant effect through the disruption of services or undermining the achievement of the organisations objectives. Official estimates¹ show the value lost to fraud to be significant. To assist organisations in identifying the risks of Fraud, CIPFA has produced a Code of Practice on Managing the Risk of Fraud and Corruption ("the Code") which has five principles;

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy, and
- Take action in response to fraud and corruption

¹ The National Fraud Authority's Annual Fraud Indicator (2013) estimated the loss of fraud in the public sector at around £20bn

- 1.2 The policies that this Council has in place demonstrate our commitment to the prevention and detection of Fraud and Corruption and to ensure the highest possible standards of openness, probity and accountability. We encourage people with serious concerns about any aspect of the Council's work to come forward and voice those concerns. The 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.
- 1.3 The Anti- Fraud & Anti-Corruption Framework, the Whistleblowing Policy and Fraud Response Plan are approved annually as part of the Council's Constitution.
- 1.4 The prevention of fraud and protection of the public purse is everyone's business and it is important that all staff know how to recognise a fraud, how to prevent it and more importantly what to do if they suspect they have come across a fraud.
- 1.5 The Anti-Fraud and Anti-Corruption Framework, Whistleblowing Policy and Fraud Response Plan are a range of policies in place that are designed to limit as far as possible the opportunities to commit fraudulent acts, enable such acts to be detected at an early stage and then deal with any subsequent investigations in a prompt, thorough and professional manner.

2. Issues

- 2.1 The Council is committed to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. These documents demonstrate that it proactively shows a commitment to deterring fraud and corruption and this is actively promoted throughout the organisation. A review of these documents has previously been undertaken annually, however it has been noted that there have not been any legislative changes for a number of years now. Therefore it has been decided that the policies will now be reviewed every two years with the proviso that should there be the introduction of any new legislation or best practice guidance that they are then reviewed sooner to take account of this.
- 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 survey of all staff was undertaken in November/December 2014, this was designed to assess the knowledge and awareness of the Councils Fraud policies and to identify if any specific training needs were required in relation to this. The results of the survey were positive in that 96% of the respondents were aware of the Councils Anti-Fraud and Corruption policy and 86% stating that they would report any suspected fraud, corruption or bribery 14% were unsure whether they would report, no-one said that they would not report it. Results from the survey were positive, however, ways of promoting awareness will continue to be explored to ensure that staff remain vigilant to the risks of fraud and the impact that this could have on the organisation.
- 2.5 The council has also joined forces with Stoke-on-Trent City Council to form a North West Staffordshire Corporate Fraud Team. This also includes Staffordshire County Council and a number of Housing Associations, one of which is ASPIRE housing. This collaboration was successful in securing funding to set up a unit that is designed to tackle all aspects of 'corporate fraud'. The funding was made available by Department for Communities and Local Government (DCLG) to bridge the gap of local authority fraud investigators transferring to the Department for Work and Pensions (DWP) as part of the Single Fraud Investigation Service (SFIS). Operationally this joint venture will see the set-up of a data hub which will allow all the organisations to share information across the different service areas and will also incorporate the award winning 'Spot the Cheater' campaign being rolled out across Borough.
- 2.6 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.

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 polices 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**

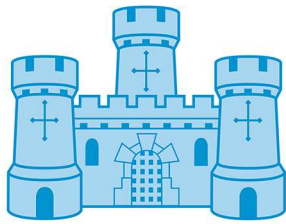
Not applicable

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
CIPFA – Managing the Risk of Fraud and Corruption



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

ANTI-FRAUD & ANTI-CORRUPTION FRAMEWORK

2015-16

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
- **Contract Procedures**
- 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

Classification: NULBC UNCLASSIFIED

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 review this every two years, 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 end of the 2 year period.

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.

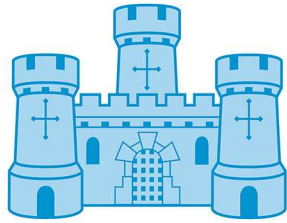
These principles apply to all aspects of public life. The Nolan Committee set them out for the benefit of all who serve the public in any way.

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

WHISTLEBLOWING POLICY

April 2015

NEWCASTLE UNDER LYME BOROUGH COUNCIL

WHISTLEBLOWING POLICY

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WHISTLEBLOWING POLICY

1. WHAT TO DO IF YOU HAVE CONCERNS?

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, and will be supported throughout the process.

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 a breach of Health and Safety,
- is a safeguarding issue,
- 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, Corporate Health and Safety Policy, and the Safeguarding Children and Vulnerable Adults Policy.

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 & Monitoring Officer, 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 First Response at Staffs County Council in respect of safeguarding issues,
 - 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.

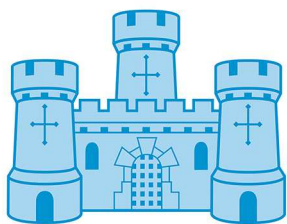
7.0 THE RESPONSIBLE OFFICER

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.

8.0 REVIEW OF THIS POLICY

It is important to keep this policy up-to-date with developments in the law and professional practice. The Audit Manager will review this every two years, and report this to the Audit and Risk Committee.

Should any urgent need arise that requires updates to the existing policy then, this will be conducted promptly rather than at the end of the two years.



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

FRAUD RESPONSE PLAN

2015-16

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.

Different rules also apply to Benefits Fraud – see item 2.4 below.

- 1.4 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.
- 1.5 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!
- 1.6 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 or email liz.j.dodd@newcastle-staffs.gov.uk) 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, External Audit, 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 Risk and Insurance Officer 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

8. Review of this document

In order to ensure that current practice remains up to date and in line with best practice this guidance will be reviewed every 2 years.

FRAUD AWARENESS RISK REVIEW - 30.03.15

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Abuse of email	Staff using email for personal use or sending inappropriate email	Acceptable use policy signed by staff	Acceptable use policy signed by staff	7
		Code of Conduct for Officers and Members	Email policy. Software blocking of certain words & sites.	
		Mail meter reports sent to Heads of Service	Mail meter reports sent to Heads of Service	
		Information Security Policies	The Authority has a suite of 10 Information Security Policies based on professional guidance and best practice to ensure compliance with BS7799 or ISO equivalent.	
Postal voting fraud	Voting fraud for elections	Registrations and applications vetted and scanned	All postal and absent votes are checked and scanned into a signature recognition process. All applications are individually barcoded and must also have a date of birth which is checked against records held.	6
		Review of process	Review of process - process is governed by legislation in the main part.	
		Training of staff for postal opening	Staff are trained to deal with suspected cases of impersonation, and to follow the advice of the electoral commission in taking appropriate measures. Single point of contact at the police to deal with all electoral fraud.	
		Electoral Commission checks undertaken	Electoral Commission check applications downloaded from their website - they track the computers and numbers of applications printed	

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Theft of income	Theft of income generally, from all income streams	Issue of receipts for income Two people open post CRB checks undertaken References taken for new employees Regular independent reconciliation of income taken to income expected Regular banking and banking checks Compliance with cash handling instructions and financial regulations Income collection systems - separation of duties	Issue of receipts for income Two people open post Checks for all new staff and then every three years - cost £32 - £36. References taken for new employees Reconciling of income anticipated to income received Regular banking of income to prevent a build up of cash. Bulk checks of cash prior to banking independent check of bankings Training in cash handling instructions issued to staff. Financial regulations detailing council procedures There is separation of duties and responsibilities in all income collection systems	5
Fraudulent benefit claims	Fraudulent benefit claims for housing and council tax benefit. Fraudulent benefit claims by NBC staff	Verification by benefit assessors Checks of details by verification framework officers Benefit investigators Fraud awareness training to all staff National Fraud Initiative (NFI)	Verification by benefit assessors in line with guidelines Checks of details by verification framework officers A trained benefit investigator deals with fraud in Benefits. They link directly with DWP. Fraud awareness training to all staff The Authority participates in the National Fraud Initiative e.g. benefit claim matches are identified and investigated, cheques are security printed to comply with APACS standard. A copy also goes to Payroll.	5
Failure to Recovery Money	Failure to recover money due to suppressing accounts	Laid down procedures Recovery procedures exception reporting Separation of responsibilities	Laid down procedures for suppression of recovery action Recovery procedures exception reporting Separation of responsibilities for accounts	5

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Fraudulent letting or extension of contracts	Fraudulent letting or extension of Council contracts due to collusion or corruption	Central register of contracts is maintained by the Procurement Officer	Procurement professionals being involved in all major contract letting who work to a strict code of ethics	3
		Code of Conduct for Officers and Members	Email policy. Software blocking of certain words & sites.	
		Procurement Officer in post	Procurement Officer in post	
		Procurement toolkit	Procurement toolkit in place for staff to utilise with assistance from Procurement Officer	
		IDeA training	IDeA training	
		Standing Orders	Standing Orders in respect of contracts	
		Financial Regulations	Compliance with Financial Regulations	
		Final Account Audit undertaken	Internal audit to audit contracts as per all financial regulations	
		Procurement Briefings	Briefing session are delivered to all staff have a responsibility for any procurement matters	
		Anti-Fraud and Anti-Corruption Policy	Anti-Fraud and Anti-Corruption Policy	
Unauthorised access to computer systems for fraudulent use	Staff can gain inappropriate access to computer systems and alter data for personal gain	Network security policy	Network security policy owned by IT. This covers overall access.	3
		Training - on computer security	Training for users on how to avoid others obtaining unauthorised access - turning off PC's, password protected screensavers, complex password protection, access control.	
		Access controls	Controls and passwords on systems	
		Information Security Policies	The Authority has a suite of 10 Information Security Policies based on professional guidance and best practice to ensure compliance with BS7799 or ISO equivalent.	
Corruption in sale of land	Receiving personal gain for sale of land	Valuations of land for sale	Valuations of land for sale	3
		Financial Regulations	Compliance with Financial Regulations	
		Standing Orders	Standing Orders in respect of contracts	
		Capital Asset Accountant	Capital Asset Accountant	
		Capital Asset Working Group	Capital Asset Working Group	
		Cabinet approval of sale of land	Management / member approval of sale of land	
		Robust screening process	Robust screening process	

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Falsification of performance indicators	Incorrect or manipulated data is used to produce performance indicators	Independent check of performance indicator statistics / data	Independent check of performance indicator statistics / data (data auditing)	3
		Password protected performance system	CorVu system in place that is protected Corvu system no longer used by the authority. Spreadsheets are now maintained by the Business Improvement Officer (Procurement & Performance)	
Fraudulent invoices or claims from contractors	Fraudulent invoices paid by the Authority	Civica purchase order processing	Allowing approval from manager up front.	3
		Training for budget holders	Training for budget holders	
		Financial Regulations	Compliance with Financial Regulations	
		Creditors system - separation of duties / responsibilities	Separation between goods being received, invoices paid and authorised certification system	
		Budget monitoring	Budget monitoring by budget holders, management and Accountancy	
		Annual core system audit	This is a core system as decided by External Audit. This is audited annually by Internal Audit	
		Contract monitoring	Contract monitoring through contract register and authorisation etc.	
		National Fraud Initiative (NFI)	The Authority participates in the National Fraud Initiative e.g benefit claim matches are identified and investigated, cheques are security printed to comply with APACS standard. A copy also goes to Payroll.	
		Large cheques have to be signed individually	Large cheques have to be signed individually	
Regular software checks done re valid list of suppliers.	Regular software checks done re valid list of suppliers.			
Fraudulent Bank Notes	Fraudulent Bank Notes	Scan Coin Machines have detection facilities in place	Scan coin machines have detection facilities in place	4
		UV Marker pens in use	UV marker pens in use	

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Fraudulent use of Corporate Credit Cards	Credit cards used for personal use	Training - on Corporate Credit Card system	Procedures for card holders and secretaries	4
		Compliance with Credit Card procedures	Compliance with Credit Card procedures	
		Review of policies	A review of control processes, in conjunction with management and HR	
		Monthly review of transactions and suppliers	Monthly review of transactions and suppliers by financial control, who review the nature of the transaction, and the types of supplier used.	
		Responsibilities formally allocated and agreed by cardholder	Credit card holders sign an agreement detailing their responsibilities	
		Credit Card - regular review of procedures by Internal Audit	As part of the Audit Plan, Internal Audit review the Credit Card policies, procedures and systems for effectiveness and compliance with statutory and professional guidance and best practice.	
		Credit Card - separation of duties	<p>Procedures updated: February, 2013 Bills are paid by accounts payable.</p> <p>Procedures updated: February, 2013 - It is the responsibility of Authorised Users to complete the Credit Card Payment Authorisation (CCPA) form and to have it approved by the relevant Budget Holder and also by the Cardholder, in the spaces indicated. In the absence of the Cardholder, the form may be approved by an Authorised User, provided that the approver and the person who completed the form are not the</p>	
		£5,000 limit per month per corporate credit card	<p>£5,000 limit per month per corporate credit card.</p> <p>Procedures updated February, 2013: The upper limit of a card will be determined by the Chief Executive in consultation with the Executive Director (Resources and Support Services) but may not be greater than £5,000 per month per card.</p>	

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Fraudulent use of investment money	Fraudulent use of investment money by Treasury Management staff	Annual audit of treasury management	Annual audit of treasury management	2
		Treasury Management meetings	Treasury Management meetings happen weekly	
		Fidelity guarantee insurance for designated officers	Fidelity guarantee insurance for designated officers	
		Treasury Management - statutory / professional guidance	The Authority's policies, procedures and systems comply with and are based on statutory and professional guidance and best practice	
		Use of Broker and Treasury Management advisors	Use of Broker and Treasury Management advisors	
		Carry out periodic reconciliations	Carry out periodic reconciliations	
		Separation of responsibilities for investments	Separation of responsibilities for investments	
Fraudulently using external funding	Misuse or fraudulent use of external funding or fraudulent claim forms sent to external funding bodies	Budget monitoring	Budget monitoring by budget holders, management and Accountancy	2
		External funding - separation of duties	Checks undertaken by external funding team and accountancy	
		Newcastle Borough Council acts on lessons learnt	Newcastle Borough Council acts on lessons learnt	
		Financial Regulations	Compliance with Financial Regulations	
		Standing Orders	Standing Orders in respect of contracts	
		Independent verification of grant conditions	Independent verification of grant conditions	
		Audit undertaken	Audit undertaken by internal and external audit & funding bodies if necessary	

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Theft or misuse of the Authority's information	Theft or misuse of information, including personal data, credit card details and sensitive political information	Clear desk policy	Clear desk policy	2
		Confidential information locked away	Confidential information locked away	
		Confidentiality clauses	Confidentiality clauses	
		Encrypted memory sticks	Proper control of memory sticks	
		Access controls	Controls and passwords on systems	
		Saving data to servers	Saving data to servers	
		Firewalls	Firewalls	
		Information Security Policies	The Authority has a suite of 10 Information Security Policies based on professional guidance and best practice to ensure compliance with BS7799 or ISO equivalent.	
		Managing Information Risks risk assessment	Managing Information Risks risk assessment	
		Information Security Working Group	Information Security Working Group chaired by Executive Director - Resource & Support Services	
		Connected to Government Secure Intranet	Connected to Government Secure Intranet (gsi)	
		Inspire directive for sharing of data across EU	Inspire directive for sharing of data across EU	
Metadata to ISO standards. Use of data for application.	Metadata to ISO standards. Use of data for application.			
Fraudulent use of council vehicles	Using Council vehicles for non council business	Vehicle logs	Vehicle logs maintained for each vehicle detailing journeys	2
		Staff awareness of insurance implications	Staff awareness of insurance implications	
		Driving at work policy	Driving at work policy given to all employees with a driver risk assessment for them to complete	
Inappropriate receipts of gifts / hospitality	Officers receiving inappropriate gifts / hospitality	Code of Conduct for Officers and Members	Email policy. Software blocking of certain words & sites.	1
		Manager approval	Manager approval	
		Register of Interests	There is a central register for gifts and hospitality, and each Directorate keeps it's own register of outside interests and works for staff	
		Audit undertaken	Audit undertaken by internal and external audit & funding bodies if necessary	
		Staff informed of process	Staff made aware of what, when and how to record	
		Annual reminders	Annual reminders	

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Theft or sale of official stocks / equipment	Theft or sale of official stocks / equipment for personal gain	Regular independent checks of stocks / equipment across the council Stock records maintained across all service areas within the council Inventory of all ICT items (numbered) PCs are tagged/marked Annual inventory checks Physical security	Regular independent checks of stocks / equipment across the council Stock records maintained across all service areas across the council Secure numbered inventory in place with periodic reviews PCs memory sticks, cameras are tagged/marked, security inbuilt in phones traceable through IP address. Annual inventory checks Equipment is secured in establishments and where necessary locked away. Ground floor offices have shutters on windows.	1
Misappropriation of funds	Misappropriation of funds for services provided e.g. handyman, trade refuse, pest control	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	Minimising cash payments by debit card and direct payment methods Regular independent reconciliations of funds Cash secured Cashing up and banking duties separated Budget monitoring by budget holders, management and Accountancy Whistleblowing policy Compliance with Financial Regulations	1
Fraudulent payments for personal gain	Payments made by BACS or CHAPS for personal gain	Independent reconciliations Approval process Budget monitoring	Independent reconciliations Approval process Budget monitoring by budget holders, management and Accountancy	1
Fraudulent car loans	Employees claiming fraudulent car loans from the Authority.	Car Loans - separation of duties Affordability check Clear procedures for car loan applications	Separation of responsibilities for approving car loans. Authorisation required by Chief Executive, Executive Director and Head of Business Improvement, Central Services and Partnership Services as part of the application process. Direct payment of loan taken from salary each month Clear procedures for car loan applications	1

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Money laundering	Payments by proceeds of crime	Money Laundering - statutory / professional guidance	The Authority's policies, procedures and systems comply with and are based on statutory and professional guidance and best practice	1
		Audit review procedures and recommendations made	Audit review procedures and recommendations made	
		Cashiers audit	Review of payments of over £5000 in cash	
Agency staff claiming hours not worked	Agency staff submitting inaccurate timesheets or claiming hours they have not worked	Line manager checks hours worked	Line manager checks hours worked	1
		Use of timekeeper system	Use of timekeeper system	
		HR involvement	HR involvement	
Theft from vulnerable people	Theft by staff from vulnerable people e.g. almshouses, welfare funeral homes	CRB checks undertaken	Checks for all new staff and then every three years - cost £32 - £36.	1
		Code of Conduct for Officers and Members	Email policy. Software blocking of certain words & sites.	
		Receipts given for valuables	Receipts given for valuables	
		Proper and safe handover procedures	Proper and safe handover procedures	
Theft of cash in transit	Theft of cash whilst being transferred from one establishment to another	Reducing cash transactions	Encourage people to pay by debit card or direct debit	1
		Audit review procedures and recommendations made	Audit review procedures and recommendations made	
		Cash in transit - staff training	Cash in transit - staff training	
		Varying routes and drop off points, times etc	Varying routes and drop off points, times etc	
		Identicom devices issued to relevant staff	Identicom devices issued to relevant staff - there is an emergency button in case of attack etc	
		Handled by G4S and Kings	Handled by G4S and Kings	
Abuse of telephones	Abuse of landline phones and mobile phones by staff	Mobile phone provider	Monthly reports provided by Smith Bellerby	1
		System in place for identifying personal calls and text messages	System in place for identifying personal calls and text messages	
		Telephone usage policy (corporate) in place	Telephone usage policy (corporate) in place	
		Register of Interests	There is a central register for gifts and hospitality, and each Directorate keeps it's own register of outside interests and works for staff	
		Regular telephone reports to management	Regular telephone reports to management	

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Subletting of NBC properties	Letting of NBC properties for personal gain	Accurate details of premises to let	Accurate details of premises to let	1
		Clear instructions to staff	Clear instructions to staff	
		Reconciliation of income	Reconciliation of income	
		Management checks of properties	Management checks of properties	
Abuse of postage system	Abuse of postage by staff	Management check of postage costs	Monthly recharges done re postage costs to departments - would show on heads of service budget reports - any anomalies would show.	1
		Budget monitoring	Budget monitoring by budget holders, management and Accountancy	
		Protocols set for handling of post	Protocols set for handling of post.	
			Postal procedures updated: February, 2013.	
Abuse of internet	Staff using internet for personal use and viewing inappropriate sites	Acceptable use policy signed by staff	Acceptable use policy signed by staff	1
		Code of Conduct for Officers and Members	Email policy. Software blocking of certain words & sites.	
		Sophos is used for web filtering	Sophos is used for web filtering	
Payments to ghost employees	Payments to fictitious employees via payroll	Budget monitoring	Budget monitoring by budget holders, management and Accountancy	1
		Payroll - Separation of duties	Separation and authorisation of setting new employees on the payroll	
		Review of payroll processes	These are reviewed as part of the restructure - creation of posts on establishment	
		Review of payroll system	The payroll system is subject to regular review and at times when there is a restructure within the Authority including establishment structure	
		Recruitment policy and process	Recruitment policy and process	
		Audit undertaken	Audit undertaken by internal and external audit & funding bodies if necessary	
		NFI checks completed annually	NFI checks completed annually	
Fraudulently trading for personal gain	Officers working for personal gain, including unauthorised work and private work. Abuse of position	Code of Conduct for Officers and Members	Email policy. Software blocking of certain words & sites.	1
		National Fraud Initiative (NFI)	The Authority participates in the National Fraud Initiative e.g benefit claim matches are identified and investigated, cheques are security printed to comply with APACS standard. A copy also goes to Payroll.	
		Register of Interests	There is a central register for gifts and hospitality, and each Directorate keeps it's own register of outside interests and works for staff	
		Checks by management	Checks done on email by Managers	

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
HR policies do not deter fraudulent behaviour	Not enough preventative controls or proactive action taken to deter fraud	Review of policies	A review of control processes, in conjunction with management and HR	1
		Disciplinary process	Disciplinary process to be followed, to act as a deterrent to others	
		Relevant stakeholders involved in review of processes	Relevant stakeholders including internal audit, are involved in review of processes	
		Anti-Fraud and Anti-Corruption Policy	Anti-Fraud and Anti-Corruption Policy	
		Whistleblowing policy	Whistleblowing policy	
		Managers Guide on Fraud	Managers Guide on Fraud	
		Related policies in place	Related policies in place - fraud & corruption, whistleblowing, corporate induction	
Fraudulent job application forms	Information contained in job application forms is fraudulent e.g. qualifications, job history, CRB checks	Obtain evidence of qualifications	Obtain evidence of qualifications	1
		Obtain references	Obtain references	
		HR involvement	HR involvement	
		Recruitment policy and process	Recruitment policy and process	
		Identity checks carried out	Identity checks carried out	
Fraudulent non attendance at work	Employees fraudulently not attending work e.g. fraudulent sick leave, extra holidays, flexitime, evening and weekend work, remote working	Checks of time by management	Checks of time by management	1
		Reconciliation of leave	Management reconciliation of leave taken to leave cards and time recording system	
		Compliance with management of attendance policy for sickness	Compliance with management of attendance policy for sickness	
		Review of management of attendance policy	Review of management of attendance policy	
		Audit of management of attendance	Audit of management of attendance	
		Occupational Health to assist return to work	Occupational Health to assist return to work	
		Whistleblowing policy	Whistleblowing policy	

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BRIBERY ACT 2010 RISK REVIEW - 30.03.15

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Country risk	High level corruption, an absence of effectively implemented anti-bribery legislation and a failure of foreign government, media, local business community and civil society effectively to promote transparent procurement and investment policies	Standing Orders Financial Regulations Procurement Framework Treasury Management Policy Policies reviewed annually Member Code of conduct Employee Code of conduct Code of Corporate Governance Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy On-Line Training facility Procurement Briefings	STeP Training package available.. Briefings delivered to all staff involved in the requisition and purchasing of any good/service within the authority - briefings covered requirements under SOFR and also implications of the Bribery Act. Briefings also covered as part of the corporate induction process.	3

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Business opportunity risks	High value projects or projects involving many contractors or intermediaries; Projects which are not apparently undertaken at market prices, or do not have a clear legitimate objective	Procurement Framework Standing Orders Financial Regulations Project Management based on Prince 2 Review of Project management methodology Member Code of conduct Employee Code of conduct Code of Corporate Governance Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy On-Line Training facility Procurement Briefings	STeP Training package available.. Briefings delivered to all staff involved in the requisition and purchasing of any good/service within the authority - briefings covered requirements under SOFR and also implications of the Bribery Act. Briefings also covered as part of the corporate induction process	3

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Business partnership risks	E.g. use of intermediaries in transactions with foreign public officials; consortia or joint venture partners; and relationships with politically exposed persons where the proposed business relationship involves or is linked to, a prominent public official	Partnership Code of Practice Procurement Framework Standing Orders Financial Regulations Member Code of conduct Employee Code of conduct Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy Code of Corporate Governance On-Line Training facility Procurement Briefings	STeP Training package available. Briefings delivered to all staff involved in the requisition and purchasing of any good/service within the authority - briefings covered requirements under SOFR and also implications of the Bribery Act. Briefings also covered as part of the corporate induction process.	3

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Internal Risks	Lack of clarity in the organisations policies on and procedures for hospitality and promotional expenditure and political or charitable contributions; Deficiencies in employee training, skills and knowledge; Bonus culture that rewards excessive risk taking; Lack of clear financial controls; Lack of clear anti-bribery message from the top-level management	Member Code of conduct Employee Code of conduct Code of Corporate Governance Financial Regulations Standing Orders Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy Procurement Framework Partnership Code of Practice Third Sector commissioning framework On-Line Training facility Procurement Briefings	STeP Training package available.. Briefings delivered to all staff involved in the requisition and purchasing of any good/service within the authority - briefings covered requirements under SOFR and also implications of the Bribery Act. Briefings also covered as part of the corporate induction process.	3

Risk	Risk Description	Existing Control Measure	Description	Final Risk Rating
Transaction risk	E.g. charitable or political contributions, licences and permits, and transactions relating to public procurement	Standing Orders Financial Regulations Procurement Framework Third Sector commissioning framework Policies reviewed annually Member Code of conduct Employee Code of conduct Code of Corporate Governance Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy On-Line Training facility Procurement Briefings	STeP Training package available.. Briefings delivered to all staff involved in the requisition and purchasing of any good/service within the authority - briefings covered requirements under SOFR and also implications of the Bribery Act. Briefings also covered as part of the corporate induction process.	3
Sectoral risks	Sectors are higher risk than other - higher risk sectors include the extractive industries and the large scale infrastructure sector	Standing Orders Financial Regulations Procurement Framework Member Code of conduct Employee Code of conduct Code of Corporate Governance Anti Fraud & Anti corruption Framework Anti Money Laundering Policy Whistle Blowing Policy		2

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- 1.2 In November 2010, the Audit and Risk committee agreed to the co-option of an Independent member to the committee. Following this, in January 2011 an advert was placed in the Evening Sentinel and on the Council's website to which no responses were received. This was followed up in July 2011 with a second round of adverts, this time being placed again on the Council's website and also a copy placed on public noticeboards at Council premises, again this recruitment process was unsuccessful.
- 1.3 Following discussions with Keele University, the current Independent Member was co-opted onto the committee in 2012. This appointment was for an initial period of three years.

2. **Issues**

- 2.1 This three year appointment comes to an end in June 2015 and therefore the committee needs to decide if they wish to continue with the appointment of a co-opted member to the committee.
- 2.2 Discussions with the current Independent member have confirmed that they are happy to continue with the appointment for a further three years. Should the committee wish to continue with a co-opted member then this would be the preferred option particularly in view of the difficulties experienced in previously in trying to recruit.

3. **Reasons for Preferred Solution**

- 3.1 If members were to approve the continued co-option of the independent member to the committee then they would be continuing to adopting 'good practice' processes and procedures which overall would contribute to reducing risks and liabilities to the Council.

4. **Outcomes Linked to Corporate Priorities**

- 4.1 An effective Audit Committee means that the Authority can place reliance on the assurances of the systems of internal control. If controls are operating effectively the potential for fraud and corruption is reduced. There is also an assurance that resources are being used efficiently and effectively.

5. **Legal and Statutory Implications**

- 5.1 Under the Accounts and Audit Regulations 2011 the Council is required to undertake an annual assessment of the effectiveness of its Audit Committee. A co-opted member onto the committee will help to demonstrate this effectiveness.

6. **Equality Impact Assessment**

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

7. **Financial and Resource Implications**

- 7.1 In terms of costs these are limited to the payment of travelling expenses only which are paid for each meeting attended, and are based on the rates set out in the table below;

		451- 999 cc	1000 -1199 cc	Above 1200 cc
Per mile for first 8,500 miles	Inside Borough	46.9p	52.2p	65.0p

8. **Major Risks**

8.1 If the Authority does not maintain an effective Audit Committee; reliance cannot be placed on the adequacy of the internal controls operating throughout the Authority.

9. **Background Papers**

CIPFA's Audit Committees Practical Guidance for Local Authorities

10. **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		
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