

Public Document Pack

Date of meeting Monday, 15th April, 2019
Time 7.00 pm
Venue Astley Room - Castle House
Contact Geoff Durham



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Castle House
Barracks Road
Newcastle-under-Lyme
Staffordshire
ST5 1BL

Audit and Standards 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 A PREVIOUS MEETING** (Pages 3 - 6)
To consider the minutes of the previous meeting(s).
- 4 CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD JANUARY TO MARCH 2019 (Quarter 4 (Q4))** (Pages 7 - 24)
- 5 AUDIT PROGRESS REPORT AND SECTOR UPDATE** (Pages 25 - 42)
- 6 INTERNAL AUDIT UPDATE** (Pages 43 - 58)
- 7 COUNTER FRAUD ARRANGEMENTS** (Pages 59 - 102)
- 8 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors P Waring (Chair), S. Dymond (Vice-Chair), S. Pickup, M. Stubbs, G. Burnett, B. Panter and K.Owen

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.

Contacting the Council:

Switchboard 01782 717717 . Text 07800 140048

Email webmaster@newcastle-staffs.gov.uk.

www.newcastle-staffs.gov.uk

NOTE: THERE ARE NO FIRE DRILLS PLANNED FOR THIS EVENING SO IF THE FIRE ALARM DOES SOUND, PLEASE LEAVE THE BUILDING IMMEDIATELY THROUGH THE FIRE EXIT DOORS.

ON EXITING THE BUILDING, PLEASE ASSEMBLE AT THE FRONT OF THE BUILDING BY THE STATUE OF QUEEN VICTORIA. DO NOT RE-ENTER THE BUILDING UNTIL ADVISED TO DO SO.

AUDIT AND STANDARDS COMMITTEE

Monday, 11th February, 2019
Time of Commencement: 7.00 pm

Present:-	Councillor Paul Waring – in the Chair
Councillors	S. Dymond, S. Burgess, G. Burnett and B. Panter
Officers	Geoff Durham - Mayor's Secretary / Member Support Officer, Simon Sowerby- Business Improvement Manager and Interim Executive Director - Resources and Support Services - Jan Willis
Also in Attendance	Phil Butters – Keele University Ms Tess Barker-Phillips (Grant Thornton) Councillor Stephen Sweeney – Portfolio Holder for Finance and Efficiency

1. **APOLOGIES**

There were no apologies.

2. **MINUTES OF PREVIOUS MEETINGS**

Resolved: That the Minutes of the meeting held on 12 November, 2018 be agreed as a correct record subject to the recording of Councillor Stephen Sweeney, Portfolio Holder for Finance and Efficiency, as being in attendance.

3. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

4. **CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD OCTOBER TO DECEMBER 2018 (QUARTER 3 (Q3))**

Consideration was given to a report informing Members of the progress made by the Council in enhancing and embedding risk management for the period October to December, 2018.

Members were advised that there were no overdue risk reviews. There had been six risk level increases and these were outlined in Appendix A (number 6, 11-14 and 15). There had been no new risks identified and no issues since the last meeting.

With regard to item 9 of Appendix A, the Interim Executive Director of Resource and Support Services, Jan Willis advised Members that a contract had been signed this week for Audit Management/Audit Planning Service. A start had already been made on Audit Planning for next year. The contract would be reviewed on an annual basis.

The Chair asked Members if they felt that Safeguarding training for Members should be made mandatory and all Members were in agreement.

The Chair requested that The Council's Partnerships Manager be contacted to ascertain which Members had undertaken the training and for those who had not, to complete it within six months.

Phil Butters queried the accidental loss of data and whether this should be monitored on an ongoing basis. Members were advised that action had been taken to resolve this.

- Resolved:**
- (i) That point 2.1.1 showing the number of overdue risks be noted.
 - (ii) That point 2.2.1 advising of the risk level increases be noted.
 - (iii) That point 2.2.2 regarding the new risks identified between October and December, 2018 be noted.
 - (iv) That point 2.2.4 be noted.
 - (vi) That Appendix A be noted.
 - (vii) That Safeguarding training be discussed in more detail at the next meeting of the Committee.

5. INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 2018/19

Consideration was given to a report updating Members on the work undertaken by the Internal Audit section during October to December, 2018.

Members were advised that there had been good progress, with six major audits being done in the last quarter.

Members attention was brought to paragraph 2.4 of the report in respect of Payroll where a number of issues had been identified.

The Chair requested that the Committee be kept up to date with the progress made in Payroll.

Resolved: That the information be received and the comments noted.

6. QUARTERLY REPORT : ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 OCTOBER TO 31 DECEMBER 2018

Consideration was given to a report regarding any outstanding high risk recommendations for Quarter 3 – October to December, 2018 and requesting approval to requested actions and target dates. Also to provide Members with an assurance opinion on internal controls.

Members' attention was brought to Appendix A which gave a summary of the Outstanding Audit Recommendations of which there were 61 in total. A more comprehensive list of all of the recommendations was handed out at the meeting.

Members questioned one of the outstanding recommendations which related to Mirefinch – the Council's time management system. There were significant issues

with the way in which it was being used. The Chair stated that more information was required on this to find a way forward.

The Chair also requested that the Members be given an update on the current positions with the outstanding recommendations and their approximate timescales for completion.

- Resolved:**
- (i) That the actions of officers and levels of assurance be noted.
 - (ii) That Members receive an update on the current positions of the outstanding recommendations.

7. ANNUAL CERTIFICATION LETTER 2017-18

Consideration was given to the Annual Certification Work letter for year ending 31 March, 2018.

Tess Barker-Phillips of Grant Thornton advised members of the contents of the letter, drawing members' attention to appendices A and B on page 62 of the agenda.

Resolved: That the information be received.

8. EXTERNAL AUDIT PLAN 2018-19

Ms Tess Barker-Phillips of Grant Thornton explained the External Audit Plan for the year ending 31 March, 2019.

Members' attention was drawn to page 65 of the agenda which gave an overview of what was happening within the Council. Ms Barker-Phillips advised that the significant risks were pretty much the same as last year.

The report also identified significant risks, possible risks, materiality and value for money.

Resolved: That the report be received and the comments noted.

9. INFORMING THE AUDIT RISK ASSESSMENT FOR NEWCASTLE UNDER LYME BOROUGH COUNCIL 2018-19

Ms Barker-Phillips introduced this report, drawing members' attention to the purpose of the report on page 82 of the agenda – to contribute towards effective two way communication.

The report looked at fraud, laws and regulations, going concern, accounting estimates and related parties.

Members were advised that Grant Thornton has no particular concerns in this respect.

Resolved: That the information be received and the comments noted.

10. ARRANGEMENTS WITH STOKE ON TRENT CITY COUNCIL

Members were advised that this had been covered under item six on the agenda. However, Ms Willis confirmed that Stoke on Trent City Council would oversee the Audit Planning Process for this Council. They would also provide overall management and development for our Auditors who would be carrying out the Audit work.

Resolved: That the information be received.

11. URGENT BUSINESS

There was no Urgent Business.

COUNCILLOR PAUL WARING
Chair

Meeting concluded at 7.56 pm

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

15 April 2019

**CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD January to
March 2019 (Quarter 4 (Q4))**

Submitted by: Executive Management Team

Portfolio: Corporate and Service Improvement, People and Partnerships

Ward(s) affected: All

Purpose of the Report

To inform Members of the progress made by the Council in enhancing and embedding risk management for the period January to March 2019 (Q4), including progress made in managing identified corporate risks.

Recommendations

The Committee is asked to:-

- (a) Note the point 2.1.1 showing the number of overdue risk reviews.**
- (b) Note the point 2.2.1 advising of the risk level increases.**
- (c) Note the point 2.2.2 regarding the new risks identified between January and March 2019.**
- (d) Note point 2.2.4.**
- (e) Note Appendix A and scrutinise the progress that has been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers, where applicable.**
- (f) Identify, as appropriate, individual risk profiles to be scrutinised in more detail at the next meeting of the Committee.**

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 allow the process to become further embedded at each level of the authority. This will also aid the identification of key risks that potentially threaten the delivery of the Council's corporate priorities. The Risk Management Strategy provides a formal and proportionate framework to manage these identified risks and thus reduce the Council's exposure.

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 used to record and manage risks.
- 1.2 The Council currently reviews its high (red 9) risks at least monthly and its medium (amber) risks at least quarterly.
- 1.3 The last review of these risks (Q3 2018) was reported to the Council's Audit & Standards Committee in February 2019.
- 1.4 Risk owners are challenged by the Council's Risk Champions in respect of the controls, further actions, ratings and emerging risks related to their risks, and are also challenged on the reasons for inclusion or non-inclusion and amendment of these.
- 1.5 Projects are managed to a high level in relation to risk and are reviewed in accordance with the Risk Management Strategy (i.e. at least monthly).

2. Issues

- 2.1 Further to an Audit Assurance recommendation, your officer has been asked to report on overdue risk reviews that are 6 months out of date.
 - 2.1.1 At the time of running the report, there were no overdue reviews.
- 2.2 Following a previous meeting a brief point is now produced to show any risks where the risk level has increased to a Medium 7, 8 or High 9.
 - 2.2.1 Your officer can report that there were a number of risk level increases. The majority of these increases range between Low 1 to Medium 6 ratings. There are however 5 risk level increases to a rating between Medium 7 to High 9 from existing risks and these are included in Appendix A.
 - 2.2.2 There have been 1 new risks added to profiles during January to March 2019, and this is now included in Appendix A.
 - 2.2.3 Should there be any changes or increases during April to June 2019 these will be reported to the next relevant meeting of the Committee.
 - 2.2.4 There are no outstanding issues from the last meeting.

3. Options Considered

- 3.1 No options to be considered. EMT, Heads of Service, Business Managers and Officers continue to review risks with the support of Risk Champions (where required).
- 3.2 The Business Improvement Officer (Risk and Insurance) continues to offer support and direction as part of this process.

4. Proposal - Strategic, Operational, Project and Partnership Risk Registers (Appendices)

- 4.1 The Council regularly reviews and refreshes its risk registers in accordance with the Risk Management Strategy.
- 4.2 These reviews are co-ordinated by the Strategic Risk Champion who works closely with Directors, Operational Risk Champions and Risk Owners.
- 4.3 The risk map below shows the descriptions of the ratings, for ease of use.

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

- 4.4 Appendix A now highlights the risks that fall into the top line of the above risk map.

5. Reasons for Preferred Solution

- 5.1 To offer a continual review process to minimise and mitigate risks.

6. Outcomes Linked to Corporate and Sustainable Community Priorities

- 6.1 Good risk management is a key part of the overall delivery of the Council's four corporate priorities of:

- Local Services that Work for Local People.
- Growing our People and Places.
- A Healthy, Active and Safe Borough.
- A Town Centre for all.

7. Legal and Statutory Implications

- 7.1 The Accounts and Audit (England) Regulations 2015, 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”*

8. Equality Impact Assessment

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

9. Financial and Resource Implications

- 9.1 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.

10. Major Risks

- 10.1 As highlighted in Section 4.

11. Sustainability and Climate Change Implications

- 11.1 Officers assess sustainability and climate change implications as part of their local services.

12. Key Decision Information

- 12.1 This report is for information and there are no key decision requirements pertaining to the information contained within the report.

13. Earlier Cabinet/Committee Resolutions

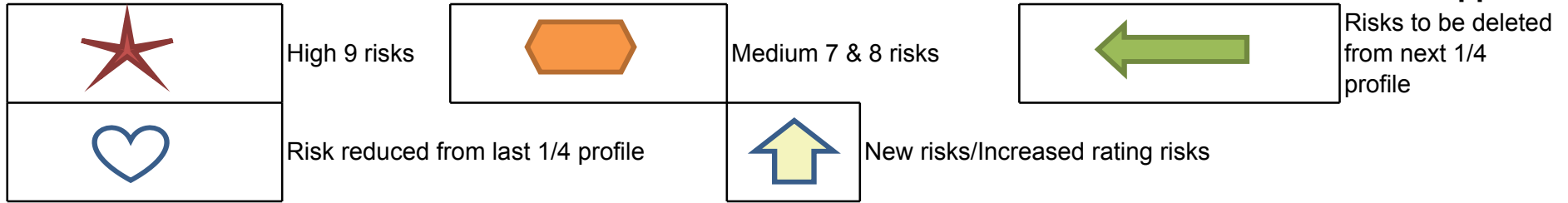
- 13.1 Previous Minutes from Committee meeting held on 11 February 2019.


14. List of Appendices

- 14.1 Appendix A – Notable High and Medium risks

15. Background Papers

- 15.1 Previous Minutes and reports have been circulated to relevant Members and Officers.



Appendix A Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 04/04/2019	as at Sept 18	as at Dec 18	as at March 19
 <p>Potential Claims growth - a trend towards greater public awareness and 'claims culture' and the impact of the economic climate means claims may increase</p>	Chief Executive	The Council has robust systems in place both to deal with claims when they happen and also to prevent, where possible, the circumstances where claims could arise. In doing so, the Council has in place policies and procedures designed to enhance safety at work and also to advise staff and others when driving or operating machinery. The Council checks, on a regular basis, that it is up to date on best practice in this area and that systems reflect changes in the local, national or international environments		Strategic	Risk reviewed and noted that this area is of growing significance with the number and value of claims increasing. The risk is somewhat outside of the Council's control, however the internal management of processes and procedures can provide a defence should the need arise.	I = H L = H High 9	I = H L = H High 9	I = H L = H High 9

1



Appendix A Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk in order to reduce the risk	Target Date for action completion	Risk Category Strategic, Operational, Project	Current position / progress as at 04/04/2019	Status as at Sept 18	Status as at Dec 18	Current Rating as at March 19
Financial consequences of adverse planning decisions	Regeneration and Development	Production of Emerging Joint Local Plan – completion of Preferred Options stage	Jul-19	Strategic	The action required is still ongoing. The likelihood of an adverse challenge occurring due to progress made and any occurrence in the past 12 months, with any future challenges has allowed the final rating to be reduced. This risk will not be on the next quarter report unless a successful challenge is made.	I = H L = M Medium 6	I = H L = M Medium 6	I = H L = M Medium 6
Fire risk occurrence	Corporate Health and Safety			Operational	Risk will remain high due to 2 occurrences in the past 12 months. Another incident occurred during this quarter so will remain on the report for the next 12 months	I = H L = H High 9	I = H L = H High 9	I = H L = H High 9



2



3

Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 04/04/2019	as at Sept 18	as at Dec 18	as at March 19
4 	Regeneration and Development and Chief Executive	Corporate mandate for scheduled diary dates to update Target100 (Health and Safety system)	Ongoing	Strategic	There have been RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 1995 as amended) reportable incidents over the past six months. A focussed effort upon reviewing risk assessments is expected to improve the Council resilience.	I = H L = H High 9	I = H L = H High 9	I = H L = H High 9
5 	Recycling and Waste	Continue to monitor the current global downturn in recycled material values	Ongoing	Operational	The potential market changes mean that the income derived from this is reducing significantly and is primarily outside of the Council's control, however markets are constantly reviewed	I = H L = H High 9	I = H L = H High 9	I = H L = H High 9



6



7

Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 04/04/2019	as at Sept 18	as at Dec 18	as at March 19
Failure to deliver Local Air Quality Management action plans function in line with statutory requirements - annual reporting	Environmental Protection	Procure appropriate consultancy support for development of Local Plan model Establish agreed governance and reporting arrangements Outline and or full business case to be delivered to JAQU Regular submissions of finding requests to be made to JAQU	April-19 April-19 Oct-19 Oct-19	Operational	Risk rating moved from 6 to 9 pending confirmation of procurement route and capacity of appointed contractor to deliver to timetable. Article in Air Quality News 25/01/19 https://airqualitynews.com/2019/01/22/defra-threaten-bristol-council-with-legal-action-unless-they-produce-air-quality-plan-by-February/ DEFRA considering legal action without further notice against Bristol CC for failure to deliver to ministerial directive timetable	I = H L = H High 9	I = H L = H Low 2	I = H L = H High 9
Cost of service may exceed budget	Recycling and Waste	Continual monitoring of the market for companies to obtain the best off-take prices	Ongoing	Operational	The additional income over and above recycling credit shortfall from the garden waste scheme will help to offset budget overspend to some degree.	I = H L = H High 9	I = H L = H High 9	I = H L = M Medium 6



8




9

Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 04/04/2019	as at Sept 18	as at Dec 18	as at March 19
Loss of Mobile phones and mobile phone network	ICT Business Impact Assessment			Operational	Work undertaken with EE to ensure that backup plans for continuity are in place to reduce the likelihood of similar occurrence	I = L L = H Medium 7	I = L L = M Low 4	I = L L = M Low 4
Work priorities take over completion of the audit plan	Audit	Collaboration with local council for reporting and support in the audit plans. Contract in place and will be reviewed annually.		Operational		I = M L = H Medium 8	I = M L = H Medium 8	I = M L = H Medium 8



Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
<p>Ministerial Direction served on NULBC ON 5th October 2018 requiring buses running on specified census ID's equating to (A53 between Sandy Lane and Etruria/A500 roundabout) to be either retrofitted to bring upto Euro 6 or Euro 6 buses to be used no later than 1st Jan 2021 or in the shortest possible time. Reliant on First Bus and First Group fully engaging and supporting project.</p>	<p>Environmental Protection Service</p>	<p>Bus operator engagement and support required.</p> <p>Explore powers of a TRO to promote EURO 6 buses on affected stretch.</p> <p>Retrofit project plan to be developed.</p> <p>Viability of bus service may be affected by forced retrofit.</p>	<p>Mar-19</p>	<p>Operational</p>	<p>Spreadsheet received from PMT with full fleet profile. Current buses not eligible. First Group has verbally indicated support. Fleet renewal for affected services dependant on 40% public subsidy and 60% funding from First. First will need to review allocation in 19/20 budget as budget already set and no funds identified. JAQU contacted re 40% public subsidy from different funding pots.</p> <p>Discussions on-going with County and City re TRO. Also being considered under further measures direction.</p> <p>Retrofit does not appear a viable option - operator will not commit at this stage based on fleet profile and being unsuitable for retrofit. In discussions with JAQU about reallocation of monies towards purchase of new compliant buses and public subsidy from HE fund and Bus bid in Summer 2019.</p> <p>Discussion on going with all partners concerning alternatives</p>	<p>as at Sept 18</p>	<p>as at Dec 18</p>	<p>as at March 19</p>

Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating	
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 04/04/2019	as at Sept 18	as at Dec 18	as at March 19	
 11 Failure of the Borough Council (both officers and Members) to recognise both a moral and legal obligation to ensure a duty of care for children and adults across its services. The Borough Council is committed to ensuring that all children and adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council. Safeguarding is everybody's responsibility.	Safeguarding	To drive across the Council business support by the Executive Management Team, the need for strengthening safeguarding through training and awareness of staff, Members and partners; recording any training on personal files; providing safeguarding champions and the support of; inclusion in Service planning; use of Communications and social media to raise awareness; further HR awareness support in the recruitment process; support for Whistleblowing situations; inclusion in appraisal process and Team Meetings.	Jun-19	Operational				I = H L = H High 9	I = H L = H High 9



Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
<p>Criminal Exploitation - Failure to coordinate and contribute to the prevention and early intervention of any incident or pattern of incidents of controlling, coercive or threatening behaviour, violence or abuse of vulnerable people, forcing them to engage in various forms of criminal activity such as begging, gang activity and drugs supply; modern slavery and human trafficking etc.</p>	<p>Safeguarding</p>	<p>in order to reduce the risk</p>	<p>for action completion</p>	<p>Strategic, Operational, Project</p>	<p>as at 04/04/2019</p> <p>Work with Partners and Partnerships.</p> <p>Policies and Procedures in place.</p> <p>Training and awareness undertaken.</p> <p>Various working groups attended by various officers at the Council.</p>	<p>as at Sept 18</p>	<p>as at Dec 18</p> <p>I = H L = H High 9</p>	<p>as at March 19</p> <p>I = H L = H High 9</p>



13

Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 04/04/2019	as at Sept 18	as at Dec 18	as at March 19
Safeguarding Children - the safeguarding duties apply to any child who is experiencing, or at risk of, abuse or neglect.	Safeguarding			Operational	Work with Partners and Partnerships. Commissioned Support Services. Dedicated Personnel. Policies and Procedures in place. Training and awareness undertaken. Various working groups attended by various officers at the Council.			I = H L = H High 9



Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 04/04/2019	as at Sept 18	as at Dec 18	as at March 19
Partners failing to share relevant information to assist the council in their Safeguarding obligations.	Safeguarding			Operational	Work with Partners and Partnerships. Dedicated Personnel. Policies and Procedures in place. Training and awareness undertaken. Various working groups attended by various officers at the Council.		I = H L = H High 9	I = H L = H High 9



15



16



Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 04/04/2019	as at Sept 18	as at Dec 18	as at March 19
The accidental loss of information containing personal details of a data subject that do not fall within a non specialist category	Revenue Services	Staff awareness training. Review of Procedures	Dec-18	Operational	Although the training and review of procedures has reduced the likelihood, the risk remains on the profile as there has been an occurrence during the past 12 months.		I = M L = H Medium 8	I = M L = H Medium 8
Increased energy useage at Jubilee2	Asset Management Strategy	Investigate the increased gas usage at site during 2018 compared to 2017	Jun-19	Operational				I = L L = H Medium 7



17



18



Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 04/04/2019	as at Sept 18	as at Dec 18	as at March 19
UPS hardware failure	Castle House Communication Room	This risk implies that one of the five Castle House UPS units has failed either as a consequence of an environmental condition or mechanical failure. It implies that the power to the connected equipment has been disrupted and the unit requires replacement.		Operational	Risk added and rating increased due to incident occurring in January 2019 - this affected the Council network due to the air con units failing in the first floor comms room.		I = L L = L Low 1	I = L L = H Medium 7
Failure to train and develop employees to meet the needs of the council	Human Resources	Develop a full working training plan	May-19	Operational	This Plan will take into account the Corporate Priorities and all of the appraisals which will formulate a training plan to be delivered over the next 12 months (to be approved by EMT)		I = H L = M Medium 6	I = M L = H Medium 8



19

<p>Lack of capacity due to failure to replace key staff or provide resources to cover the work of other staff</p>	<p>Human Resources</p>	<p>Review of vacant posts and recruitment needs to such</p>	<p>May-19</p>	<p>Operational</p>	<p>(1) Controls on recruitment to vacant posts where there is existing budget have been relaxed. (2) £304k growing borough fund established as part of the 2019-20 budget which is designed specifically to provide additional capacity to address corporate priorities. (3) Work has commenced on a senior management restructure and recruitment will shortly commence on filling vacant roles.</p>		<p>I = M L = L Low 2</p>	<p>I = H L = H High 9</p>
---	------------------------	---	---------------	--------------------	---	--	----------------------------------	-----------------------------------

This page is intentionally left blank

Audit Progress Report and Sector Update

Newcastle-under-Lyme Borough Council
Year ending 31 March 2019

April 2019



Contents

Section	Page
Introduction	3
Progress at March 2019	4
Audit Deliverables	5
Results of interim audit work	6
Sector Update	8
Links	15
Appendix A - Grant Thornton's External Audit commitment	

Introduction



Phil Jones

Engagement Lead

T 0121 232 5232
M 07824 343631
E phil.w.jones@uk.gt.com

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



Tess Barker-Phillips

Engagement Manager

T 0121 232 5428
M 07899 965193
E tess.s.barker-phillips@uk.gt.com

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

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

PSAA Contract Monitoring

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

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

Financial Statements Audit

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

We commenced our interim audit in January 2019. Our interim fieldwork includes:

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

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

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

The final accounts audit is due to begin on 10 June with findings reported to you in our Audit Findings Report. We will present our report at the July Audit and Standards Committee meeting and issue our audit opinion by the 31 July deadline.

Value for Money

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

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

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

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

Details of our initial risk assessment to determine our approach were included in our Audit Plan. We identified two significant Value for Money risks – financial sustainability, and governance and capacity. We are currently carrying out our audit work on these.

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

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 has not yet started. We will agree our overall project plan for completing this work with officers.

Meetings

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

Events

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

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

Audit Deliverables

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

Council responsibilities

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

Any additional fees are subject to approval by PSAA.

Results of interim audit work

Area of focus	Work performed	Conclusions and recommendations
Control environment and business processes	We have obtained an understanding of the overall control environment and business processes relevant to the preparation of the financial statements.	Our work to date has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Control activities	We have gained an understanding of the Council's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements. Work has been completed in the following areas: pension liabilities, valuation of PPE (land and buildings).	<p>Our work to date has not identified any weaknesses which impact on our audit approach.</p> <p>We will conclude the walkthroughs and controls at the year end, due to the fact that a number of controls in these areas are performed as part of the year end closing process.</p>
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	<p>Our work to date has not identified any weaknesses which impacts on our audit approach.</p> <p>At our final accounts visit we will complete our testing of journals by extracting entries deemed to be high risk for further review.</p>

Results of interim audit work (continued)

Area of focus	Work performed	Conclusions and recommendations
<p>Early substantive testing</p>	<p>We have commenced early substantive testing on key income and expenditure streams from months 1-9. This testing includes but is not limited to operating expenditure, other fees and charges, grant income, PPE additions, precepts, and payroll.</p>	<p>Our early testing to month 9 is substantially complete and we will update our work to cover the full year at the final accounts visit.</p> <p>No issues have been identified to date from our testing that we wish to bring to your attention.</p>
<p>Emerging accounting issues</p>	<p>We have discussed emerging accounting issues with officers and been provided with papers setting out background information. We have requested additional accounting papers setting out the proposed treatment in further detail, with supporting documentation, for the following areas:</p> <ul style="list-style-type: none"> • Valuation of the Council's interest in Castle House • Valuation of the Civic Offices site <p>Once we are provided with this additional information, we will review and discuss with the Council whether there is any impact on the proposed treatment in the draft financial statements.</p>	<p>We have not yet received the requested additional documentation. We request that these are available in good time in order to allow us sufficient time to review the proposals and to involve our internal technical specialists if necessary.</p> <p>We will continue to work with the Council on these areas to agree the appropriate accounting treatment.</p>

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

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

Public Sector

Local
government

Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

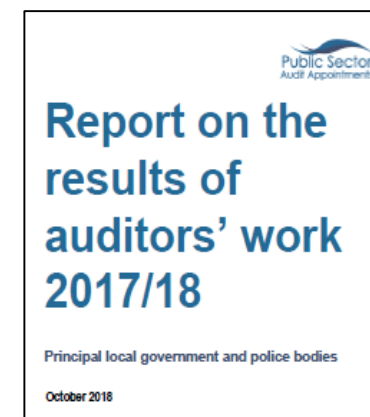
The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

PSAA Report

Challenge question:

Has your Authority identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

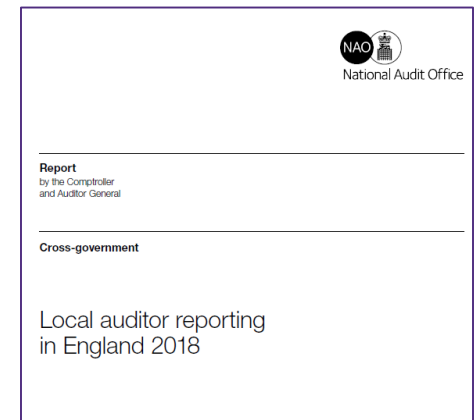
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



NAO Report

Challenge question:

Has your Authority responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

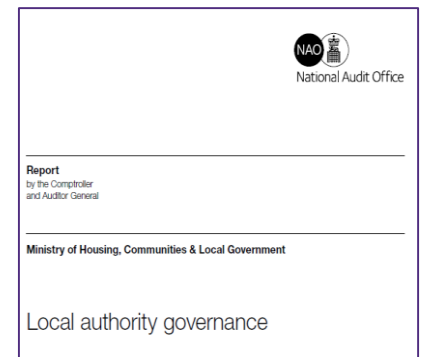
The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

NAO Report

Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

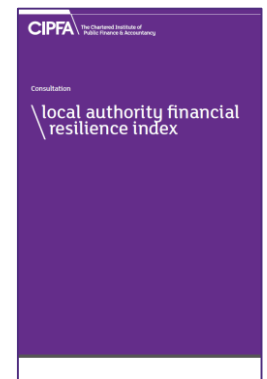
“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

CIPFA Consultation

Challenge question:

Has your Executive Director (Resources and Support Services) briefed members on the Council’s response to the Financial Resilience Index consultation?



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

• Short-term solvency vs. Longer-term value:

- LG & NHS: Facing financial pressures, oversight & governance pressures

• Limited usefulness of auditors reports: 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'

• Other powers and duties: implementing public interest reports in addition to VFM

• Restricted role of questions and objections: Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.

• Audit qualification not always acted on by those charged with governance: 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'

• Audit committees not consistently effective: Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.

• Decreased audit fees: firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.

• Impact of audit independence rules: new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role

• Other stakeholders expectations not aligned with audit standards

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



The expectations gap

Challenge question:

How effectively is the audit meeting client expectations?



Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies. Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

Your organisation – including considerations on workforce, funding, and changes to legislation

Your services and suppliers – ensuring that critical services are protected and building resilience within supply chains

Your place – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

Brexit

Challenge question:

How well advanced are your Authority's plans for Brexit?



Links

Grant Thornton

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

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

National Audit Office

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

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

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>

Ministry of Housing, Communities and Local Government

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

CIPFA

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

Local Government audits 2018/19 and beyond

Grant Thornton's External Audit commitment

Audit 2018/19

Our team

Phil Jones
Engagement Lead



T 0121 232 5232
E phil.w.jones@uk.gt.com

Tess Barker-Phillips
Engagement Manager



T 0121 232 5428
E tess.s.barker-phillips@uk.gt.com

Matthew Berrisford
Audit Executive



T 0121 232 5352
E matthew.j.berrisford@uk.gt.com

"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style".

Director of Finance, local audited body

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

Our relationship with our clients—why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies

"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."

Director of Finance, County Council

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**REPORT OF THE EXECUTIVE MANAGEMENT TEAM
TO THE AUDIT & STANDARDS COMMITTEE**

15th April 2019

1. INTERNAL AUDIT PLAN 2019/20

Submitted by: Chief Internal Auditor, Clare Potts

Portfolio: Finance and Efficiency

Ward(s) affected: All

Purpose of the Report

To inform Members of the proposed Internal Audit Plan for 2019/20 and to seek their approval on its contents.

Recommendations

A That in accordance with the Committee's terms of reference, the Internal Audit Plan for 2019/20 be approved.

B That the Internal Audit Charter for 2019/20 which sets out how the plan will be delivered be approved.

C That the Committee agree to receive quarterly reports on the delivery of the assignments within the plan and on the implementation of actions arising.

Reasons

The Accounts and Audit Regulations include the statutory requirement for the provision of an adequate and effective internal audit function. The Public Sector Internal Audit Standards (PSIAS) place a duty on Internal Audit to plan effectively to ensure it contributes to the Council's objectives at strategic and operational levels. Planning also enables Internal Audit to demonstrate that they are making the best use of available resources.

1. Background

1.1 The primary purpose of an Internal Audit service is to provide an independent, objective assurance and consulting service to the organisation; and through the efficient delivery of this service seeks to add value and improve the organisation's operations and controls to effectively deliver the council's Strategic Priorities. Internal Audit assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. Internal Audit is an independent appraisal function within the Borough Council under the control of the Executive Director Resources & Support Services (and Section 151 Officer).

1.2 The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers, whether in-house, shared services or outsourced. Assessment against the Standards provides assurance that the service is being delivered to a satisfactory level and in conformance to the standards.

- 1.3 The Accounts and Audit Regulations include the statutory requirement for the provision of an adequate and effective internal audit function and they specify that compliance with the relevant standards is required to demonstrate an appropriate standard of audit provision. The requirement to produce an audit plan is also specified in the Standards.
2. **Internal Audit Plan 2019/20**
- 2.1 This Internal Audit Plan has been produced by Stoke-on-Trent City Council who have an agreement in place to provide support to the Council's in-house Internal Audit team and undertake the role of Chief Internal Auditor as defined by the PSIAS.
- 2.2 The annual Internal Audit Plan for 2019/20 outlines the audits that are planned for the coming financial year and has been produced using a risk based approach. The results of this work will contribute to the annual internal audit opinion, which will then be included within the Annual Governance Statement (AGS).
- 2.3 The council's Internal Audit Charter sets out how the Internal Audit service will be delivered and this has been reviewed as part of producing the latest internal audit plan. To demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS) the internal audit activity must be formally defined in an Internal Audit Charter. The external assessment of the internal service undertaken in April 2017 made a recommendation that the core principles for internal audit should be added to the charter at the next revision. To meet this requirement, the core principles have now been included in section 4.2 and a copy of the updated Charter can be found at Appendix 2. The Standards further require that the Charter is periodically reviewed and presented to senior management and the Audit Committee for approval. The Committee are therefore asked to approve this Charter.
- 2.4 The internal audit service focuses on the way in which the key risks faced by the services and ultimately the council can be incorporated and addressed through the planned reviews set out in the proposed plan. In exploring the areas to include within the 2019/20 plan a number of factors have been considered. These include the strategic risks faced by the council and also operational risks that its service areas are facing in the context of the objectives (both strategic and operational) they are striving to achieve. It also includes the controls that are currently in place and therefore the level of internal audit coverage that is appropriate for these areas of the business. A key objective has been to produce a plan that is aligned to the council's objectives and perceived risks. This approach acknowledges the council's risk management framework and open and forthright discussions have taken place with senior officers.
- 2.5 A risk assessment methodology continues to be developed in order to better inform the audit planning process. A significant factor within the audit planning process is the recognition and identification of emerging issues at both local and national level. Topical issues are monitored and tracked throughout the year by the Audit Team and, where relevant, highlighted for consideration or review. Examples of areas identified for inclusion include Elections, Risk Management, Ethics and Commercial Review. Following the delay in the agreement of the 18/19 plan a number of items have been rolled forward into the current year's plan and some areas have been deferred (in agreement with the Executive Director Resources & Support Services).
- 2.6 Executive Directors have provided valuable input into the plan based on their knowledge of key risk areas. The scope of each audit will be defined in further detail following a more detailed risk assessment to be undertaken before each audit and an assignment brief will be produced to identify the key objectives of each audit. This will present a further opportunity for Executive Directors and Heads of Service to provide feedback on the proposed scope of

work.

- 2.7 The planning and delivery of a robust audit plan ensures that an annual opinion and overall level of assurance can be provided by the Chief Internal Auditor to those charged with governance, thereby complying with constitutional requirements and sector standards. This opinion is one of the elements of the assurance framework which is reported in the annual governance statement.
- 2.8 The Internal Audit team also includes a Fraud Investigator. This post allows the team to focus on both proactive and reactive work, with the primary aim of detecting (e.g. data-matching exercises), investigating and preventing fraud and where appropriate strengthen controls. The Council continues to work with Stoke-on-Trent City Council to develop a partnership approach to counter fraud which includes joint working and data-matching.
- 2.9 Throughout the year the work programme at Appendix 1 will be reviewed, and detailed quarterly work programmes produced. Progress will be measured in order to report on the delivery of the audit plan.
- 2.10 For assurance on key financial systems that have previously been assessed as Well or Adequately Controlled, the approach will be to undertake a health-check audit. A health-check provides a snapshot of key aspects and controls of a system, and explores the measures in place to ensure procedures; processes and management are in place to effectively achieve its objectives. This approach is the most efficient way for internal audit to provide assurance on well controlled systems and ensures available resources are used as efficiently as possible.
- 2.11 As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Whilst the audit plan must be detailed enough to identify in advance the specific areas to be audited it must also remain flexible enough to cope with unforeseen events and must reflect the changing risks and priorities of the council. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be reported to the Audit Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their potential to improve the management of risks, to add value and to improve the council's operations.

3. **Options Considered**

- 3.1 In considering the resourcing of the Internal Audit Section consideration is given to the skills required and those that are available internally, or are best provided by external companies. The provision of IT Audit skills is a specialist area and one that is constantly changing. Whilst internal auditors can provide a level of IT auditing looking at environmental controls and some of the basics in relation to systems and project management, for more technical areas, additional expertise will be bought in. The provision of IT Assurance Audit work for 2019/20 has therefore been allocated to both the in-house internal audit team and to specialist external IT Audit support.

4. **Proposal**

- 4.1 In agreeing the proposed Audit Plan for 2019/20, Members are agreeing to a review of all areas listed in Appendix 1.

4.2 Once agreed the plan will be translated into an operational plan detailing the audit assignments to be carried out, the purpose of each assignment and the allocation of resources. Each assignment will have clear objectives and scope to be delivered within the allocated resources and will be supervised for quality and consistency.

5. **Reasons for Preferred Solution**

5.1 By agreeing to the proposed plan the Internal Audit Section is fulfilling its responsibility to plan effectively and ensure that it contributes to the Council's objectives at strategic and operational levels. The plan will also enable Internal Audit to demonstrate that they are making the best use of their resources balanced against the perceived risks to the Council.

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

6.1 The proposed plan directly contributes to the corporate priority "transforming our Council to achieve excellence". The mission of internal audit is "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight." (Public Sector Internal Audit Standards). The Council's internal audit charter states that Internal Audit supports the Authority in the effective delivery of services. The results derived from completing the attached risk based plan of work for the forthcoming year will contribute to the overall annual internal audit opinion and by reporting on the outcome of this work, assists the Audit & Standards Committee and the Executive Management Team to discharge their roles of accountability and stewardship which represents a key element within the Authority's governance framework.

6.2 The Internal Audit function also contributes to the prevention, detection and investigation of potential fraud and corruption incidents as well as giving assurance on the effectiveness of services in terms of value for money. Therefore ensuring the best use of the Council's resources and improving efficiency where weaknesses are identified. By managers ensuring that they have strong controls in all their systems, processes and activities the potential for crime can be reduced whilst providing best value for money.

7. **Legal and Statutory Implications**

7.1 The Accounts and Audit (England) Regulations 2015, state that "A relevant authority [the Council] must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." (para 5(1)).

7.2 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements *for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs*'. CIPFA has defined '*proper administration*' in that it should include '*compliance with the statutory requirements for accounting and internal audit*'.

7.3 The activities of Internal Audit are planned in accordance with the Accounts and Audit Regulations which place a duty upon the Chief Internal Auditor to report to members on a regular basis. By acting upon recommendations within internal audit reports, the council is demonstrating its commitment to maintain an adequate and effective system of internal control, as required by these regulations. Satisfactory delivery of the audit plan assists the Executive Director Resources & Support Services (and Section 151 Officer), in discharging her duties under section 151 of the Local Government Act 1972.

8. **Equality Impact Assessment**

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

9. **Financial and Resource Implications**

9.1 The work outlined for 2019/20 will be carried out within the approved budget for Internal Audit. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

9.2 Internal Audit is directed by the Chief Internal Auditor provided through a service agreement by Stoke-on-Trent City Council. The approved structure consists of 2 full time internal auditors. In addition, support is provided by Stoke-on-Trent City Council to provide quality assurance and management support to the team. The team will continue to undertake training and development opportunities to ensure their skills and knowledge are kept up to date. In addition, specialist external IT audit support and advice will continue to be procured. As mentioned in para 2.8 above, the internal audit team also work closely with the Fraud Investigator to ensure a robust approach to fraud prevention and detection.

9.4 In estimating the number of days available for the delivery of the audit plan, the following are taken into account:

Details	Days	Days	%
2 full time staff x 265 days ¹		530	
Less			
Leave Entitlement	(80)		
Absence Contingency (2%)	(11)	(91)	
Net Resources Available		439	
Training, development & meetings	(16)		
Direct Resources		423	
Planned Audit Assurance Work		335	79%
Other Planned Work		88	21%

9.5 The level of available resource has been allocated between indirect and direct work; the indirect element includes attendance at meetings, training and service improvement projects etc. Through continued work on improving the efficiency of the service, it is intended to reduce the amount of indirect / support resources and thereby maximise the resources that can be deployed in delivering audit assignments.

9.6 Available (direct) days will be allocated over the following areas:

¹ 265 days from 1 /4/19 to 5/4/20

- Proactive/planned assurance
- Assurance to External Stakeholders
- Advice & support to achieve improvements
- Verification of completed audit recommendations
- Proactive fraud prevention (including the National Fraud Initiative)
- Third Party requests
- Ad hoc requests for assistance/consultancy/investigation

9.7 The following categories have been identified as the basis for inclusion in this year's work plan:-

- Work identified as still relevant from 2018/19 and in progress at year end
- Key systems assurance
- Funding body requirement as requested
- Priority from risk assessment of service area
- Management request/Discussions with management
- Emerging risks / changes to the council's systems and controls

10. **Major Risks**

10.1 The key risk to be considered in reviewing the attached plan is that the areas proposed for coverage do not sufficiently address the key risks faced by the council and therefore the independent and objective assurance provided by Internal Audit is, or is perceived to be, compromised. The consequence of which is that opportunities to improve the council's system of internal controls, governance framework and the delivery of its objectives are not identified or acted upon.

10.2 This risk is managed through a combination of the governance and reporting frameworks within which Internal Audit operates and the overview carried out by this Committee. No risks have been identified that are not within acceptable tolerances. Continual review of the work contained within the audit plan ensures that where necessary adjustments are made to provide the most appropriate coverage.

11. **Sustainability and Climate Change Implications**

11.1 There are no sustainability or climate change implications of the proposals.

12. **Key Decision Information**

12.1 This report is not a key decision as defined by the Council's Constitution.

13. **Earlier Cabinet/Committee Resolutions**

13.1 This report is not in reference to previous Cabinet or Committee resolutions.

14. **List of Appendices**

Appendix A – Proposed Internal Audit Plan 2019/20
Appendix B – Draft Internal Audit Charter 2019/20

15. **Background Papers**

15.1 No background papers are required for this report.

Internal Audit Plan 2019/20

Audit Title	Days
Chief Executives	
HR - Absence Management	10
Work Force Planning	10
Elections	15
Total Chief Executives	35
Resources & Support Services	
Payroll	15
Purchase to Pay	15
Income Collection including Cash Handling	15
Asset Management Capital	5
Council Tax	5
Treasury Management	5
Housing Benefits	5
General Ledger	5
NNDR	5
Sundry Debtors	5
Total Resources & Support Services	80
Operational Services	
Recycling	15
Jubilee 2	10
Kidsgrove Sports Centre Community Asset Transfer	10
Total Operational Services	35
Regen & Dev	
Planning	10
Major Projects	30
Total Regeneration & Development	40
Corporate	
Commercial Review	15
Risk Management	20
Corporate Governance	15
Ethics	10
Procurement	10
GDPR Compliance	15
Contract Management Governance	15
Project Management	15
Brexit	5
Total Corporate	120

Audit Title	Days
IT Audit Assurance (Internal)	
IT Governance	10
Cyber Controls Risk Management Regime / User Education and Awareness.	10
Application system user security review – Housing and associated homelessness systems	5
Total IT Audit Assurance (Internal)	25
Total Internal Provision	335
IT Audit Assurance (External)	
Identity and Access Management (Cyber Controls Managing User Privileges)	10
Cyber Controls Framework – Malware Prevention – including Internet content filtering controls.	10
Application system user security review - Mitre Finch – Time Recording System / Guard and Payroll systems	10
Total IT Audit Assurance (External)	30
Total Plan Days	365

Internal Audit Charter

<i>Title</i>	<i>Internal Audit Charter</i>
<i>Author</i>	<i>Clare Potts, Chief Internal Auditor, clare.potts@stoke.gov.uk</i>
<i>Date Created</i>	<i>28/02/2019 (Version 1.0)</i>
<i>Version</i>	<i>Version 1.0</i>
<i>Approval</i>	<i>Audit & Standards Committee</i>
<i>Description</i>	<i>A definition of Internal Audit's purpose, authority and responsibility</i>
<i>Subject Category</i>	<i>Management</i>
<i>Rights. Protective Marking</i>	<i>Official</i>
<i>Status</i>	<i>Draft</i>
<i>Review Date</i>	<i>01/03/2020</i>

1 Introduction

1.1 The Internal Audit Charter is a formal statement that defines the purpose, authority and responsibility of Internal Audit. The internal audit charter establishes Internal Audit's position within the organisation; authority, access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit to evaluate and report on the Authority's activities.

2. Statutory Role

2.1 The Accounts and Audit Regulations (England) 2015 states that:

"A relevant body shall maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

Newcastle-under-Lyme Borough Council (The Authority) is a relevant body.

2.2 Public Sector Internal Audit Standards, originally issued in April 2013 and updated in April 2017, are mandatory and apply to all public sector internal audit service providers, whether in-house, shared or outsourced and encompass the required elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework.

3. Mission of Internal Audit¹

3.1 The mission of the Authority's Internal Audit service is:

"To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight."

4. Internal Audit Purpose

4.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.2 In doing this Internal Audit supports the Authority in the effective delivery of services and will implement the following core principles of effective internal auditing¹:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.

¹ As prescribed by the Public Sector Internal Audit Standards

- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

4.3 Internal auditors in UK public sector organisations must conform to the Code of Ethics².

4.4 Internal Audit also assists the Audit & Standards Committee and the Executive Management Team to discharge their roles of accountability and stewardship.

5. Scope

5.1 Senior management and officers are responsible for putting in place proper arrangements in accordance with the relevant policies, regulations and best practice to secure the economy, efficiency and effectiveness of the Authority's resources; ensuring integrity, proper stewardship and governance.

5.2 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Authority's governance, risk management and internal processes as well as the quality of performance in carrying out assigned responsibilities to achieve the Authority's stated goals and objectives. This includes evaluating and providing assurance on:

- The reliability and integrity of information and the means used to identify, measure, classify and report such information.
- The systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on the Authority.
- The means of safeguarding assets and as appropriate, verifying the existence of such assets.
- The effectiveness and efficiency with which resources are employed.
- Operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- The governance processes.
- The effectiveness of the Authority's risk management processes.
- Specific operations at the request of the Audit & Standards Committee or senior management as appropriate.

5.3 In doing this Internal Audit will:

- Report periodically on its purpose, authority, responsibility and performance relative to its plan.
- Report significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Audit & Standards Committee or senior management.
- Perform consulting and advisory services³ related to governance, risk management and control as appropriate for the Authority.

² As prescribed by the Public Sector Internal Audit Standards

³ **Consulting Services:** Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training. [Public Sector Internal Audit Standards]

6. Authority

6.1 Internal Audit shall have authority to:

- Enter, at all reasonable times, any Council premises, property or land.
- Access all Council and partner records, information, correspondence and data, in whatever format or media, relating to the Council's activities.
- Access relevant third party records.
- Request and receive such explanations as they consider necessary concerning any matter under examination.
- Require any employee, Member or agent of the Council to produce or account for any cash, assets or other Council property under that person's control.

7. Independence & Objectivity

- 7.1 The Internal Audit service will remain free from interference by any element in the Council including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective attitude of mind.
- 7.2 Internal Audit is positioned within Resources and Support Services and is the responsibility of the Chief Internal Auditor⁴. Internal Audit is accountable to the Executive Director (Resources & Support Services) as the Section 151 Officer and also has a direct reporting line to the Chief Executive.
- 7.3 The Chief Internal Auditor must also establish effective communication with, and have free and unfettered access to the Chief Executive, the Chair of the Audit & Standards Committee, the Monitoring Officer and the Senior Information Risk Officer.
- 7.4 Where the internal audit team has or is expected to have roles and responsibilities that fall outside of internal auditing; safeguards will be put in place to limit the potential impairments to independence and objectivity. These responsibilities will be regularly reviewed and agreed with the Executive Director (Resources & Support Services) as the Section 151 Officer and the Chief Executive.
- 7.5 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their independent judgment.
- 7.6 Internal auditors must have an impartial, unbiased attitude and therefore every effort is made to preserve objectivity by ensuring that all internal auditors are free from any conflicts of interest⁵. All potential conflicts of interest are to be disclosed to enable any potential conflict of interest to be avoided.
- 7.7 The Chief Internal Auditor must confirm to the Audit & Standards Committee, at least annually, the organisational independence of the internal audit activity.

8. Competence

- 8.1 The Chief Internal Auditor must hold a professional qualification (CCAB, CMIIA or equivalent) and be suitably experienced.

⁴ Chief Internal Auditor role is currently undertaken by the Strategic Manager – Audit & Fraud at Stoke-on-Trent City Council

⁵ This role is recorded through a declaration

8.2 The recruitment processes for Internal Audit provide for the appointment of individuals with the appropriate skills, competencies and qualifications to meet the Standards, either individually or as a combined team. Where officers are members of professional bodies, they must comply with any Continuing Professional Development (CPD) requirements of their membership. On an annual basis each auditor has a Performance Appraisal Review which identifies whether any training needs are required to improve skills.

8.3 The Chief Internal Auditor will obtain competent advice and assistance from external providers where Internal Audit lacks the resources, knowledge, skills or other competencies needed to perform all or part of an engagement.

9. Quality Assurance

9.1 To ensure the quality of audits, a structured review procedure exists before the final report is issued. This provides the opportunity for examination of the report and working papers to ensure that the audit has been conducted to the required standards. In addition, progress is subject to regular review.

9.2 Internal Audit is subject to a continual quality assurance and improvement programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards and on-going performance monitoring, which forms an integral part of the day-to-day supervision.

9.3 An external assessment of Internal Audit is to be carried out at least once every five years by a suitably qualified, independent assessor. The scope of this external assessment is to be agreed by the Chief Internal Auditor and an appropriate sponsor e.g. Section 151 Officer, Chair of the Audit & Standards Committee, as well as with the external assessor. The last review was conducted in April 2017.

9.4 The results of quality and assurance programmes and processes against any improvement plans arising out of the internal and external assessments of Internal Audit will be reported to the Executive Director (Resources & Support Services) and the Audit & Standards Committee. A summary of these results will be included in the Annual Internal Audit Report presented to Audit & Standards Committee. Instances of non-conformance with the UK Public Sector Internal Audit Standards will be reported to the Audit & Standards Committee and considered for inclusion in the annual governance statement.

10. Planning

10.1 The internal audit service is delivered in accordance with a risk-based approach. Consideration is given to the Authority's organisational objectives and priorities, risk registers, local knowledge of the key financial systems, the fraud risks, known strengths and weaknesses within the internal control environment and the requirements of External Audit.

10.2 The plan details the number of person days available for the forthcoming year. As resources are finite, priority is given to those areas with the highest risk. The plan needs also to be flexible, balancing the need to ensure that it is completed to an acceptable level against the number of requests for unplanned work.

10.3 Both the level of audit coverage to be provided and the resources required will be presented to the Audit & Standards Committee for approval. Any proposed significant variations to the plan will also be reported to the Audit & Standards Committee for approval. Progress against the plan is to be reported to the Audit & Standards Committee on a quarterly basis. The overall objective of the plan is to provide an annual opinion on the Authority's control environment.

11. Audit Approach

- 11.1 To ensure a consistent approach to auditing, officers follow the principles laid down in the Audit Manual. This document is regularly reviewed and updated where appropriate.
- 11.2 The Chief Internal Auditor shall ensure that their nominated representatives maintain appropriate levels of integrity and confidentiality during the course of reviews and investigations with due regard to any legislation of laws or codes of conduct applicable at the time including Human Rights Act 1998, Data Protection Act 1998, Freedom of Information Act 2000, General Data Protection Regulations 2018 and The Nolan Committee's Seven Principles of Public Life.
- 11.3 For each planned audit, the auditor will discuss the assignment with the responsible officers to help identify the potential risks and key priorities of the system. Each auditor will look to make practical, risk based recommendations based on their findings and discuss these with management to ensure that agreed actions are formulated to improve a system's control environment, risk management, and its effectiveness and efficiency. This is documented in a standardised audit report.
- 11.4 Effective management of the delivery of the audit plan is essential to ensure that sufficient coverage is achieved. To achieve this consideration is given to the timing of specific audits and also to ensure that work is allocated to those staff with the appropriate skills and experience to complete the task.
- 11.5 All internal audit reports are confidential and as such will not be routinely published. A summary of all reports will be presented quarterly to the Audit & Standards Committee. Should requests for internal audit reports be made under the freedom of information legislation, the Chief Internal Auditor must be consulted before making the report available and where necessary, elements of the report will be redacted.

12. Fraud and Corruption

- 12.1 Managers are responsible for preventing and detecting fraud and corruption, managing associated risks through effective internal controls and investigating frauds.
- 12.2 Internal Audit will provide support for the Authority's Anti-Fraud & Anti-Corruption Framework and Corporate Fraud Investigator, and will investigate significant matters that are reported to it. Suspicions of fraud or corruption may be reported directly to Internal Audit through the Whistle-blowing policy.
- 12.3 Decisions to refer matters for prosecution or to the police will be taken by the Executive Director (Resources & Support Services) in consultation with relevant senior managers.

13. Related Documents

- 13.1 The following related documents apply:
- Public Sector Internal Audit Standards
 - Constitution (Financial Regulations)
 - Whistle-blowing Policy
 - Officers Code of Conduct
 - Records Management Policy
 - Anti-Fraud and Anti-Corruption Framework

14. References

14.1 References to terms within the Public Sector Internal Audit Standards are as follows:

- The Chief Internal Auditor is the Chief Audit Executive.
- The Audit & Standards Committee is the Board.
- The Executive Management Team and those officers to whom responsibilities are delegated, are senior management.

This page is intentionally left blank

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

15 APRIL 2019

1. **REPORT TITLE** **Counter Fraud Arrangements**
- Submitted by:** **Executive Director of Resources and Support Services**
- Portfolio:** **Finance and Efficiency**
- Ward(s) affected:** **All**

Purpose of the Report

The council is committed to providing an effective Counter Fraud function which is supported by an effective policy framework. 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.

Recommendations (to be in bold)

That the following policies which support the Counter Fraud function be noted;

- a) Anti-Fraud and Anti-Corruption Framework,**
- b) Fraud Response Plan**
- c) Whistleblowing Policy**
- d) Anti-Money Laundering Policy**

Reasons

These policies are regularly reviewed to ensure that they remain relevant for the authority. There have been minor changes to reflect changes to job titles and money laundering regulations.

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 estimates 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
- 1.2 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 and Anti-Corruption Framework, the Whistleblowing Policy, Fraud Response Plan, and the Anti-Money Laundering Policy 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, Fraud Response Plan, Whistleblowing Policy and Anti-Money Laundering Policy 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. These policies are 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. There have been changes to the policies that were brought before the committee last year, these include an update to reflect changes in job titles and money laundering regulation changes.
- 2.2 In order to demonstrate this commitment the Council has an annual subscription with Protect (formally known as Public Concern at Work) an independent legal charity with over 20 years' experience of running a confidential helpline for employees and members. Protect has given practical, confidential advice nationally to around 40,000 people. 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 The Council continues to work with Stoke-on-Trent City Council and has recently entered into a three year partnership agreement for Counter Fraud Services. The Counter Fraud Service covers all types of non-benefit and corporate fraud. The service offers a full detection and investigation service as well as work to prevent fraud and share the learning coming out of its activities both within the partnership and more broadly. The Fraud Hub will see the introduction of a case management and referral system that will enable detailed reporting which will also include the facility to provide statistical analysis and details of costs recovered etc.

3. **Proposal**

- 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 public 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. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 4.1 The strategies demonstrate that the Council is committed to ensuring the best use of resources and enable the prevention and detection of fraud and corruption at the earliest opportunity.

5. **Legal and Statutory Implications**

- 5.1 This report raises no new legal or statutory implications.

6. **Equality Impact Assessment**

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

7. **Financial and Resource Implications**

- 7.1 The cost of an annual subscription to Protect is £750 per annum plus twenty pence per employee, which based on 500 employees makes the total subscription, cost £850.

8. **Major Risks**

- 8.1 The risk of not having these strategies in place would mean that staff have no guidance on what to do in the event that they may suspect that fraud or corruption is being committed. This in turn may hamper any investigation required to yield a satisfactory conclusion. The existence of these policies mean that staff are informed and given guidance on what actions they should take if they suspect that a fraud is being committed.

9. **Key Decision Information**

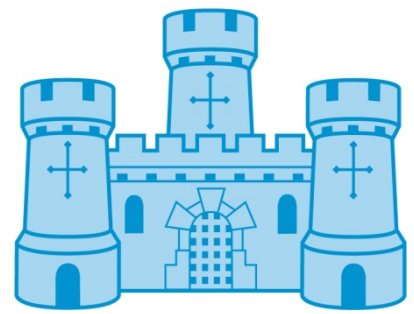
- 9.1 Not applicable

10. **List of Appendices**

- a) Anti-Fraud and Anti-Corruption Framework,
- b) Fraud Response Plan
- c) Whistleblowing Policy
- d) Anti-Money Laundering Policy
- e) Anti-Money Laundering Staff Guidance

11. **Background Papers**

CIPFA – Managing the Risk of Fraud and Corruption



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Anti-Fraud & Anti-Corruption Framework 2019/20

Contents

Introduction.....	2
Our Policy	2
Our Strategy.....	3
Expected Behaviour	3
Culture	4
Identifying Problems.....	4
Reporting Suspicions	4
Investigations.....	4
Implementing this Framework	5
Partnership Agreement for Counter Fraud Services.....	5
Review and Development of this Framework	5
Appendix A – Nolan Principles.....	6
Appendix B – Possible Indicators of Fraud.....	7

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.

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.

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. All cases of benefit fraud are now investigated by the Department for Work and Pensions (DWP) as part of the Single Fraud Investigation Service (SFIS).

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.

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

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 Internal Audit. The only exception is benefits fraud, which will be referred to the DWP and SFIS.

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.

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.

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. It is essential that the Council has an open culture whereby employees at all levels are encouraged to challenge or query why things are being done a particular way.

There are a number of common fraud indicators (Appendix B). None of them prove wrongdoing – though all are cause for managerial concern. An employee who never takes annual leave 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.

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 Internal Audit, and accept advice on the steps to take over the suspicions in accordance with the fraud response plan.

Investigations

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 with the specific guidance that relates specifically to these areas of work.

Implementing this Framework

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

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

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; and
- 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 Whistleblowing 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 Council's intranet Connexus under the A-Z of strategies and policies.

Partnership Agreement for Counter Fraud Services

Newcastle Borough Council will work in partnership with Stoke-on-Trent City Council to provide a counter fraud service which will cover various types of fraud including non-benefit and corporate fraud.

Non-benefit fraud includes all non-welfare (benefit) frauds which are committed against the Council by external persons or bodies and this type of fraud includes: tenancy fraud, procurement fraud, council tax fraud, business rates fraud, grant fraud etc.

Corporate fraud is defined as frauds committed by those within the Council such as employees and members and this type of fraud includes: payroll fraud, expenses fraud, procurement fraud etc.

The agreement will run for three years commencing 1st April 2019.

Review and Development of this Framework

It is important to keep this policy up-to-date with developments in the law and professional practice. This policy will be reviewed every two years and reported to the Audit and Standards Committee (unless any urgent need arises that requires an update before then).

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.

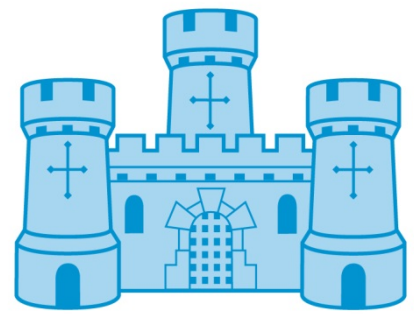
These principles apply to all aspects of public life. The Nolan Committee set them out for the benefit of all who serve the public in any way.

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 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 bypassing 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.

This page is intentionally left blank



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Fraud Response Plan 2019/20

Contents

1. Introduction.....	2
2. Purpose of the Fraud Response Plan	2
3. Dealing with a suspected fraud	2
4. Evidence.....	5
5. Lack of Evidence	6
6. Review Outcomes	6
7. Recover Losses.....	7
8.Partnership agreement for Counter Fraud Services.....	7
9. Review and Development of this Plan.....	7

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 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. It gives an outline of how investigations will be progressed and the possible role of a manager in an investigation.
- 1.3 Any suspected frauds at Newcastle Borough Council should be reported the Stoke Fraud Hub at: <https://www.stoke.gov.uk/fraud> or by email to: fraud@stoke.gov.uk or to the hotline at: 01782 236800.

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.

3. Dealing with a suspected fraud

- 3.1 Senior managers have a primary responsibility for preventing, detecting and investigating. However, it is always vital that evidence is preserved and suspicions are not aroused, and the first action must always be to contact the Stoke Fraud Hub for advice and support. This will allow the fraud team 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 on the Fraud Case Management System
 - report appropriately to Chief Executive, Section 151 Officer, the Monitoring Officer and Executive Management Team.

3.2 The only exception to this is where the matter relates to Money Laundering as this should be dealt with in accordance with the Council's Anti-Money Laundering Policy and Staff Guidance. In addition, if the matter relates to benefits, these cases will be reported to the Department for Work and Pensions (DWP) who will investigate the matter under the Single Fraud Investigation Service (SFIS).

Initial Enquiries

3.3 Where it is appropriate to do so, the fraud team 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.

3.4 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).

The manager **should not** interview staff at this stage.

Scope of the Investigation

3.5 The manager, Human Resources and the Stoke Fraud Hub team will agree the way forward, in consultation with the Section 151 Officer, the Monitoring Officer and the Head of Service. 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) and initially contact will be through the Stoke Fraud Hub.

3.6 The Stoke Fraud Hub team will usually conduct all fraud investigations. However, where there is confidence that an investigation can be undertaken by the service itself (i.e. staff have the experience and ability to complete the investigation successfully, and are clearly not involved in the irregularity) then the fraud team will provide advice and guidance to the nominated Investigating Officer.

3.7 The Stoke Fraud Hub team 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;
- External Audit;
- any other relevant person or body

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

3.8 Whilst conducting the investigation, the Stoke Fraud Hub 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);
- 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;
- email correspondence relating to the investigation is discreet and an agreed 'case name' will be used rather than real names or locations. All sensitive attachments should be password protected. 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;
- 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 are aware that they 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).

3.9 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.

3.10 The key objectives during an investigation are to:

- secure evidence of the fraud to allow the Council to pursue successful disciplinary action and prosecution;
- prevent further losses;
- assess the likely extent of losses and report these to the Council's Risk and Insurance Officer at the earliest opportunity;
- recover funds where possible.

3.11 Where managers are carrying out their own investigation they must report the results of their initial enquiries to the Stoke Fraud Hub, who may carry out further investigations if the case is more complex than it first appeared.

4. Evidence

4.1 It is essential that evidence is preserved and retained securely and the following steps should be followed:

- remove all relevant original documents and store them securely. Record the date of removal 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 **Stoke Fraud Hub team** for advice in relation to this. Any printouts of data and exception reports can be useful, so should be retained and these together with hard copies should be timed, dated and signed by the investigator;
- Where you suspend suspects you must 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 the fraud team 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.

5. Lack of Evidence

5.1 The Council will only investigate allegations which are deemed to be creditable following an initial review of information received and where evidence is available. 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.

6. Review Outcomes

6.1 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.

6.2 The Stoke Fraud Hub 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.

6.3 The Head of Service must remedy control weaknesses identified during the course of an investigation. The fraud team 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).

6.4 The fraud team will record all final outcomes on the Fraud Case Management System. This information informs future prevention strategies, and is used in reporting fraud and corruption at the Council.

6.5 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.

7. Recover Losses

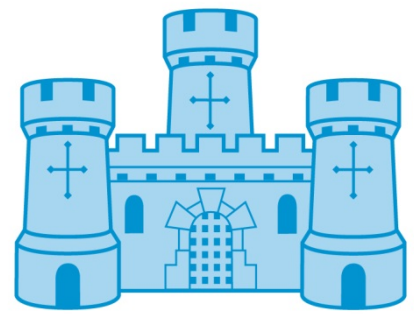
- 7.1 There are a variety of methods which can be used to recover losses. Methods used depend upon the extent of the losses, the seriousness of the fraud/corruption and whether the response is disciplinary action, legal action or both.
- 7.2 Some cases will be covered by the Council's Fidelity Guarantee insurance. If the case is going to court, the Council can seek a compensation order.

8. Partnership agreement for Counter Fraud Services

- 8.1 The Council has formed a partnership with Stoke-on-Trent City Council to provide a counter fraud service. Stoke-on-Trent City Council (Stoke Fraud Hub) will work in partnership with Newcastle Borough Council to provide a full 'end to end' counter fraud service which covers all types on non-benefit and corporate fraud. The service offers a full detection and investigation service as well as work to fervent fraud and share the learning coming out of its activities bot within the partnership and more broadly.

9. Review and Development of this Plan

- 9.1 It is important to keep this Fraud Response Plan up-to-date with developments in the law and professional practice. This policy will be reviewed every two years and reported to the Audit and Standards Committee (unless any urgent need arises that requires an update before then).



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Whistleblowing Policy 2019/20

Contents

Introduction – What is Whistleblowing?	2
Aims and scope of the policy	2
What to do if you have any concerns?	2
What safeguards are in place?	3
Responding to your concerns	3
Who is the Responsible Officer?.....	4
How the matter can be taken further?.....	4
Further Advice	4
Review of this Policy	4
Appendix A – Whistleblowing policy reporting form.....	5

Introduction – What is Whistleblowing?

Sometimes whistleblowing is called speaking up or raising a concern. It is all about ensuring that if someone sees something wrong in the workplace, they are able to raise this within their organisation, or externally. Whistleblowing ultimately protects customers, staff, beneficiaries, and the organisation itself by identifying harm and wrong doing before it is too late.

People working within organisations are often the first to realise that there may be something seriously wrong in the place in which they work. Workers should be watchful for illegal or unethical conduct and report anything of that nature that they become aware of. Newcastle Borough Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, we encourage employees and others working at or for the Council who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.

Aims and scope of the policy

This policy supports the Councils Anti-Fraud and Anti-Corruption Framework, Corporate Health and Safety Policy, and the Safeguarding Children and Vulnerable Adults Policy.

The 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.

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.

What to do if you have any concerns?

The earlier you express your 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.

If you have a concern, the Council hopes that you will be able to raise the matter with your line manager. However, if you feel unable to raise the matter with your line manager or if you believe that your line manager is involved in the concern, you should contact the Council's Internal Audit department.

The Council's Internal Audit department: Internal Audit, Newcastle-under-Lyme Borough Council, Castle House, Barracks Road, Newcastle-under-Lyme, Staffordshire, ST5 1BL. Telephone: (01782) 742690/742124. Email: whistleblowing@newcastle-staffs.gov.uk For any concerns raised in writing please label these "PRIVATE and CONFIDENTIAL".

If you have followed these channels and you still have concerns or you feel that you are unable to discuss the matter with your line manager or Internal Audit please contact the Monitoring Officer (contact details can be found in the "Who is the Responsible Officer?" section below).

What safeguards are in place?

The law (Employment Rights Act 1996 and Public Interest Disclosure Act 1998) provides protection for workers who raise legitimate concerns about specified matters. These are called "qualifying disclosures". A qualifying disclosure is one made in the public interest by a worker who has a reasonable belief that:

- a criminal offence;
- a miscarriage of justice;
- an act creating risk to health and safety;
- an act causing damage to the environment;
- a breach of any other legal obligation; or
- concealment of any of the above

is being, has been, or is likely to be, committed. It is not necessary for the worker to have proof that such an act is being, has been, or is likely to be, committed - a reasonable belief is sufficient. The worker has no responsibility for investigating the matter - it is the Council's responsibility to look into the matter.

A person who makes such a protected disclosure has the right not to be dismissed, subjected to any other detriment or victimised because they have made a disclosure.

Responding to your concerns

The Council will, where possible, protect the identity of a notifying individual and not reveal their source at any time during the investigation. However, you may eventually be needed as a witness in disciplinary or criminal proceedings if necessary (if you are, the Council will arrange for you to be given advice about the procedure).

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 an independent inquiry/investigation.

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.

The amount of contact between the officers considering the issue 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.

The Council accepts that you need to be assured that the matter has been properly addressed and looked into. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations.

Who is the Responsible Officer?

The Council's "Monitoring Officer" is the Responsible Officer. Staffordshire County Council currently provides the Council with "Monitoring Officer" support. The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. They can be contacted on 01785 276198. If you feel you cannot raise your concerns with your line manager or the Council's Internal Audit department, then you should make contact with the Monitoring Officer.

A record will be maintained of all concerns raised together with the outcomes and will be reported as necessary to the Council.

How the matter can be taken further?

This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes that you will have confidence in using the Whistleblowing 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:-

- The Council's External Auditors - Grant Thornton
- The Police

Further Advice

The Council pays an annual subscription to Protect (previously named Public Concern at Work) who are a registered charity, which gives our employees access to a confidential advice line. They have qualified legal staff to give help and advice and can be contacted on 020 3117 2520. They can also be contacted by email: mls@protect-advice.org.uk

Their website contains lots of information and advice in respect of whistleblowing: www.protect-advice.org.uk

Review of this Policy

It is important to keep this policy up-to-date with developments in the law and professional practice. This policy will be reviewed every two years and reported to the Audit and Standards Committee (unless any urgent need arises that requires an update before then).

Appendix A – Whistleblowing policy reporting form

Whistleblowing Policy Reporting Form

Newcastle Borough Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees and others that we deal with who have concerns about any aspect of the Council's work to come forward and voice their concerns. If you wish to raise a concern in writing please use this pro-forma.

Background and history of the concern (giving relevant dates):

The reasons why you are particularly concerned about the situation:

(continue on a separate sheet if necessary)

You are encouraged to put your name to this report. Concerns expressed anonymously are much less powerful but they may be considered. If you feel able to, please give your name and details below:

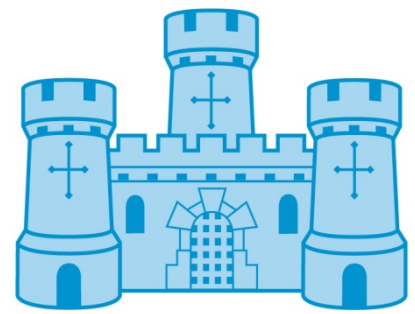
Name

Service

Contact Telephone Number

Date

PLEASE SEND THIS FORM TO YOUR LINE MANAGER OR ALTERNATIVELY INTERNAL AUDIT



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Anti-Money Laundering Policy 2019/20

Contents

Introduction.....	2
What is Money Laundering?.....	2
What are the obligations on the Council?	3
Customer Due Diligence (Client Identification Procedure).....	3
The Money Laundering Reporting Officer (MLRO)	4
Disclosure Procedure and Reporting Requirements.....	5
Risk Management and Internal Control.....	5

Introduction

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force on 26 June 2017. They implement the EU's 4th Directive on Money Laundering. In doing so, they replace the Money Laundering Regulations 2007 (MLR 2007) and the Transfer of Funds (Information on the Payer) Regulations 2007 which were previously in force.

Whilst the majority of money laundering activity in the UK falls outside of the public sector, vigilance by employees of the Council can help identify those who are or may be perpetrating crimes relating to the financing of terrorism and money laundering.

This policy, together with supporting guidance notes aims to support staff in identifying potential suspect transaction during the course of their work at Newcastle Borough Council. The policy provides a mechanism for such transactions to be reported to an appropriate officer for evaluation and potentially passed on to the relevant authorities.

What is Money Laundering?

Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source. In other words, the process of changing 'bad' money into 'good' money in order to hide the fact that the money originated from criminal activity.

The following Primary Offences constitute the act of money laundering:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act); or
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328); or
- acquiring, using or possessing criminal property (section 329);

Secondary Offences

There are also two secondary offences: failure to disclose any of the primary offences and tipping off.

Failure to Disclose – A Council employee commits an offence if they know or have reasonable grounds to suspect that another person is engaged in money laundering and they do not make the required disclosure as soon as is practicable after the information comes to them.

Tipping Off – A Council employee commits an offence if they inform a person or people who are, or are suspected of being involved in money laundering, in such a way as to reduce the likelihood of it being investigated or prejudicing an investigation.

Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. ***The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).***

What are the obligations on the Council?

Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The Regulations apply to “relevant persons” acting in the course of business carried on by them in the UK. Not all of the Council’s business is “relevant” for the purposes of the legislation. It is mainly accountancy and financial, company and property transactions. However, the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council; therefore, all staff are required to comply with the reporting procedure set out in this policy and the Anti-Money Laundering Staff Guidance.

The obligations on the Council are to establish and maintain appropriate and risk sensitive policies and procedures. Organisations must:

- appoint a Money Laundering Reporting Officer (“MLRO”) to receive disclosures from employees of money laundering activity;
- implement a procedure to enable the reporting of suspicions of money laundering;
- maintain client identification procedures in certain circumstances; and
- maintain record keeping procedures.

Section Dd7 of the Council’s Financial Regulations states that all Directors need to ensure that their employees are made aware of and comply with the Council’s Money Laundering Guidance.

Customer Due Diligence (Client Identification Procedure)

Standard Customer Due Diligence

Where the Council is carrying out certain regulated business (accountancy, audit and tax services and legal services re financial, company or property transactions) and as part of this

a) forms an ongoing business relationship with a client

- b) undertakes a one off or occasional transaction amounting to €15,000 (approximately £13,000) or more (whether carried out as a single transaction or several linked ones)
- c) suspects money laundering or terrorist financing;

then the Customer Due Diligence Procedure must be followed before any business is undertaken for that client. This means identifying the customer and verifying the customer's identity on the basis of information obtained from a reliable and independent source.

Enhanced Customer Due Diligence (and Ongoing Monitoring)

It will in certain circumstances be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:

- The customer has not been physically present for identification purposes; or
- In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

Where this applies, the Council will need to take adequate measures to compensate for the higher risk. For example, this will mean ensuring that the customer's identity is established by additional documents, data or information and ensuring ongoing monitoring is carried out for the duration of the business relationship.

Similarly, where the Council is in an ongoing "business relationship" with a customer, the Regulations impose a special obligation to carry out ongoing monitoring.

The Money Laundering Reporting Officer (MLRO)

The officer nominated to receive disclosures about money laundering activity within the council is the Executive Director of Resources and Support Services.

In the absence of the MLRO, the Finance Manager is authorised to deputise.

Both of these officers can be contacted as follows:

Executive Director Resources and Support Services or Finance Manager

Newcastle-under-Lyme Borough Council
Resources Directorate
Castle House,
Barracks Road,
Newcastle-under-Lyme,
Staffordshire.
ST5 1BL

Telephone: 01782 742106 (Secretary to Executive Director Resources and Support Services)

Telephone: 01782 742119 (Finance Manager)

The MLRO or deputy must promptly evaluate any disclosure to determine whether it should be reported to the National Crime Agency (“NCA”). This can be done via their website: www.nationalcrimeagency.gov.uk

A “Suspicious Activity Report” can be completed online on the NCA website. The NCA can be contacted on 0370 496 7622.

Disclosure Procedure and Reporting Requirements

Cash Payments

The Council already has procedures in place to limit the amount of cash that it receives, with other payment methods being made available. Section Dd6 of the Council’s Financial Regulations stipulates that cash payments in excess of £2,000 will not be accepted.

Financial Regulations Dg4 Receipts, in excess of £10,000, and any bank payments from unknown or overseas banks shall be evaluated and evidenced to ensure the legitimate source of the funds.

Reporting to the Money Laundering Reporting Officer (MLRO)

Any employee who suspects money laundering activity is taking place, or an employee who becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, must disclose this promptly to the MLRO.

The disclosure should be made to the MLRO or deputy using the proforma report attached at Appendix A to the Anti Money Laundering Staff Guidance document. The report must include as much detail as possible.

The employee must follow any subsequent directions from the MLRO or deputy and must not make any further enquiries themselves into the matter. Additionally, they must not take any further steps in the transaction without authorisation from the MLRO or deputy.

The employee must not disclose or otherwise indicate their suspicions to the person(s) suspected of money laundering. They must not discuss the matter with others or note on a file that a report has been made to the MLRO in case this results in the suspect becoming aware of the suspicion.

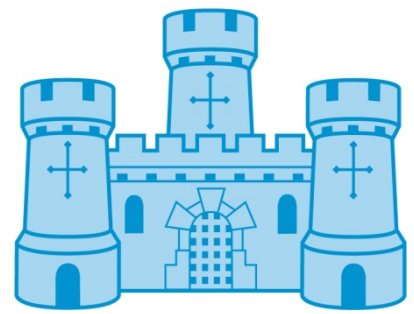
Risk Management and Internal Control

The risk to the Council of contravening the Anti-Money laundering legislation will be assessed on a periodic basis and the adequacy and effectiveness of the Anti-Money Laundering Policy and Staff Guidance will be reviewed in light of such assessments. Money Laundering as a risk will be included on the Council’s Grace Risk Management System.

Record Keeping

To comply with the legislation, records must be kept for a period of five years and be sufficient to provide an audit trail for any subsequent investigation.

This page is intentionally left blank



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Anti-Money Laundering Staff Guidance 2019/20

Contents

Introduction.....	2
What is Money Laundering?.....	2
What are the Council’s Responsibilities?.....	2
What are the Responsibilities of the Employee?	3
What are the penalties?	3
What is Customer Due Diligence?	3
Who is the Council’s Money Laundering Reporting Officer (MLRO)?.....	4
What should I do if I suspect Money Laundering?	5
Where can I find out more information about Money Laundering?	5
Appendix A – Form to report to the MLRO.....	6

Introduction

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force on 26 June 2017. These replace the Money Laundering Regulations (2007). The regulations place obligations on the Council and on its employees with regard to suspected money laundering. This guidance document is aimed to help you understand your responsibilities as an employee of the Council, to support you in identifying potential suspect transactions during the course of your work and provide you with a mechanism for such transactions to be reported to an appropriate officer for evaluation.

What is Money Laundering?

Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source. In other words, the process of changing 'bad' money into 'good' money in order to hide the fact that the money originated from criminal activity.

The following Primary Offences constitute the act of money laundering:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act); or
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328); or
- acquiring, using or possessing criminal property (section 329);

What are the Council's Responsibilities?

Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The Council is committed to preventing, detecting and reporting money laundering.

Section Dd7 of the Council's Financial Regulations states that all Directors need to ensure that their employees are made aware of and comply with the Council's Money Laundering Guidance.

The Council's responsibilities will include:

- appointing a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees of money laundering activity;
- implementing a procedure to enable the reporting of suspicions of money laundering;
- maintaining client identification procedures in certain circumstances; and
- maintaining record keeping procedures.

The Council's Anti-Money Laundering Policy can be found on the Intranet.

What are the Responsibilities of the Employee?

All employees must be vigilant for the signs of money laundering.

The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).

In accordance with the Council's Financial Regulations (Dd6) you must not accept any cash payments in excess of £2,000.

If you do not promptly report any suspicions that you may have, you are at risk of committing a secondary offence known as "Failure to Disclose". As a Council employee you commit an offence if you know or have reasonable grounds to suspect that another person is engaged in money laundering and you do not make the required disclosure as soon as is practicable after the information comes to you.

You also need to be aware that there is another secondary offence known as "Tipping Off". You need to maintain strict confidentiality in respect of any suspected Money Laundering as you are at risk of committing an offence if you inform a person(s) who are, or are suspected of being involved in money laundering, in such a way as to reduce the likelihood of it being investigated or prejudicing an investigation.

In respect of any receipts in excess of £10,000 and any bank payments from unknown or overseas banks you will need to take measures to ensure the legitimate source of these funds in accordance with Financial Regulations (Dg4).

Please refer to the Customer Due Diligence section for information on verifying a customer's identification.

What are the penalties?

People who commit a secondary offence of "Failure to Disclose" or "Tipping Off" could face a prison sentence of up to five years, a fine, or both.

What is Customer Due Diligence?

Where the Council is carrying out certain 'regulated activities' then extra care needs to be taken to verify the identity of the customer or client – this is known as carrying out customer due diligence.

'Regulated activities' include the provision of advice about tax affairs, accounting services, treasury management, investment or other financial services, audit services, legal services, estate services, services involving the formation of a company or trust or dealing in goods whereby a transaction involves a cash payment of €15,000 (approximately £13,000) or more.

Here are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity?
- Is the Council charging for the service? and,
- Is the service being provided to a customer other than a UK public Authority?

If the answer to any of the above questions is no, then customer due diligence is not required.

If the answer to all three questions is yes, then customer due diligence is required before any business is undertaken for that client.

In instances that require customer due diligence then evidence of identity must be sought.

For individuals this could include:

- Photographic identification i.e. passport or driving licence and two documents which confirm the customer's address i.e. utility bills (although not mobile phone bills) or bank statements

For companies this could include:

- Checking with the customers website to confirm their business address;
- Conducting a search via Companies House to confirm the nature and business of the customer and to confirm the identities of any directors; and,
- Seeking evidence of personal identity, for example their passport.

Enhanced Customer Due Diligence (and Ongoing Monitoring)

In certain circumstances it will be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:

- The customer has not been physically present for identification purposes; or
- In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

To compensate for the higher risk you must obtain additional documents of identity and also carry out ongoing monitoring. This means you must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with the Council's knowledge of the customer and keep the information about the customer up-to-date.

Who is the Council's Money Laundering Reporting Officer (MLRO)?

The officer nominated to receive disclosures about money laundering activity within the council is the Executive Director of Resources and Support Services.

In the absence of the MLRO, the Finance Manager is authorised to deputise.

Both of these officers are based at Castle House and can be contacted as follows:

Telephone: 01782 742106 (Secretary to Executive Director Resources and Support Services)

Telephone: 01782 742119 (Finance Manager)

What should I do if I suspect Money Laundering?

If you suspect an instance of money laundering activity you must report your suspicion promptly to the MLRO, or deputy using the form attached as Appendix A. If you would prefer you can also discuss your suspicions with the MLRO or deputy first. You must follow any subsequent directions of the MLRO or deputy and must not make any further enquiries into the matter yourself without authorisation from the MLRO or deputy.

Where can I find out more information about Money Laundering?

You can refer to various pieces of legislation including:

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
- The Proceeds of Crime Act 2002;
- The Terrorism Act 2000.

You can also refer to The National Crime Agency (www.nationalcrimeagency.gov.uk)

RESTRICTED CONFIDENTIAL

REPORT TO THE MONEY LAUNDERING REPORTING OFFICER

Details of Suspected Offence:

Details of the person(s) involved:

(Please supply as much detail as possible including full name, address, date of birth, bank account details etc. For companies please also include the registered address and nature of the business)

Nature, value and timing of activity involved:

Reasons for suspicions:

Continue on a separate sheet if necessary.

Name: _____ Directorate: _____ Ext: _____

Signed: _____ Date: _____

This page is intentionally left blank