



## Meeting Agenda

**Audit Committee  
Town Hall, St Annes  
Tuesday 30 March 2010, 7:00p.m.**

**The main doors to the Town Hall will be open to the public at 6:40pm**  
The maximum capacity for this meeting room is 60 persons –  
once this limit is reached no other person can be admitted.

# AUDIT COMMITTEE

## MEMBERSHIP

CHAIRMAN - Councillor John Singleton  
VICE-CHAIRMAN – Councillor Linda Nulty

### **Councillors**

Ben Aitken	Paul Rigby
Christine Akeroyd	Janine Owen
Linda Nulty	Elizabeth Oades
Louis Rigby	Keith Hyde

Contact: Lyndsey Lacey, St. Annes (01253) 658504, Email:  
[lyndseyl@fylde.gov.uk](mailto:lyndseyl@fylde.gov.uk)



## **Our Vision**

*To establish Fylde Borough Council as a high performing local authority*

## **Our Corporate Objectives**

To improve the economic, social and environmental well-being of our communities through:

- The promotion and enhancement of the natural built environment
- Increasing the availability and access to good quality housing for all
- Maintaining healthy and safe communities to reduce the fear of crime
- Supporting and sustaining a strong and diverse Fylde coast economy to further enhance employment prospects

## **We will achieve this by:**

Focusing on customer requirements  
Clear community and organisational leadership  
Delivering high quality, cost-effective services  
Partnership working



## A G E N D A

### PART I - MATTERS DELEGATED TO COMMITTEE

ITEM	PAGE
<b>1. DECLARATIONS OF INTEREST:</b> <i>If a member requires advice on Declarations of Interest he/she is advised to contact the Monitoring Officer in advance of the meeting. (For the assistance of Members an extract from the Councils Code of Conduct is attached).</i>	4
<b>2. CONFIRMATION OF MINUTES:</b> <i>To confirm as a correct record the minutes of the Audit Committee held on 28 January 2010. As attached at the end of the agenda.</i>	4
<b>3. SUBSTITUTE MEMBERS:</b> <i>Details of any substitute members notified in accordance with council procedure rule 25.3</i>	4
<b>4. REVIEW OF FINANCIAL PLANNING AND MANAGEMENT</b>	7-11
<b>5. CORPORATE GOVERNANCE IMPROVEMENT PLAN</b>	12-16
<b>6. IT RISK ASSESSMENT ACTION PLAN - UPDATE</b>	17-19
<b>7. OUSTANDING STRATEGIC RISK ACTIONS FROM 2009/10</b>	20-23
<b>8. PROPOSED AMENDMENT TO THE CONSTITUTION</b>	24-26
<b>9. INTERNAL AUDIT PLAN 2010-2011</b>	27-32
<b>10. FRAUD AWARENESS SURVEY</b>	33-42
<b>11. ANNUAL REVIEW OF COUNTER FRAUD POLICIES</b>	43-92
<b>12. AUDIT COMMITTEE WORK PLAN 2010-11</b>	93-96

**Personal interests**

**8.—(1)** You have a personal interest in any business of your authority where either—

(a) it relates to or is likely to affect—

- (i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;
- (ii) any body—
  - (aa) exercising functions of a public nature;
  - (bb) directed to charitable purposes; or
  - (cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

- (i) any employment or business carried on by you;
  - (ii) any person or body who employs or has appointed you;
  - (iii) any person or body, other than a relevant authority, who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;
  - (iv) any person or body who has a place of business or land in your authority's area, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 or one hundredth of the total issued share capital (whichever is the lower);
  - (v) any contract for goods, services or works made between your authority and you or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi);
  - (vi) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £25;
  - (vii) any land in your authority's area in which you have a beneficial interest;
  - (viii) any land where the landlord is your authority and you are, or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;
  - (xi) any land in the authority's area for which you have a licence (alone or jointly with others) to occupy for 28 days or longer; or
- (b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision;

(2) In sub-paragraph (1)(b), a relevant person is—

- (a) a member of your family or any person with whom you have a close association; or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of a type described in sub-paragraph (1)(a)(i) or (ii).

**Disclosure of personal interests**

- 9.—(1)** Subject to sub-paragraphs (2) to (7), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.
- (2) Where you have a personal interest in any business of your authority which relates to or is likely to affect a person described in paragraph 8(1)(a)(i) or 8(1)(a)(ii)(aa), you need only disclose to the meeting the existence and nature of that interest when you address the meeting on that business.
  - (3) Where you have a personal interest in any business of the authority of the type mentioned in paragraph 8(1)(a)(viii), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.
  - (4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

- (5) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.
- (6) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.
- (7) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000(d).

#### **Prejudicial interest generally**

- 10.—**(1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.
- (2) You do not have a prejudicial interest in any business of the authority where that business—
- (a) does not affect your financial position or the financial position of a person or body described in paragraph 8;
  - (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or
  - (c) relates to the functions of your authority in respect of—
    - (i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
    - (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
    - (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
    - (iv) an allowance, payment or indemnity given to members;
    - (v) any ceremonial honour given to members; and
    - (vi) setting council tax or a precept under the Local Government Finance Act 1992.

#### **Prejudicial interests arising in relation to overview and scrutiny committees**

- 11.—** You also have a prejudicial interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where—
- (a) that business relates to a decision made (whether implemented or not) or action taken by your authority's executive or another of your authority's committees, sub-committees, joint committees or joint sub-committees; and
  - (b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

#### **Effect of prejudicial interests on participation**

- 12.—**(1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of your authority—
- (a) you must withdraw from the room or chamber where a meeting considering the business is being held—
    - (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
    - (ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;
 unless you have obtained a dispensation from your authority's standards committee;
  - (b) you must not exercise executive functions in relation to that business; and
  - (c) you must not seek improperly to influence a decision about that business.
- (2) Where you have a prejudicial interest in any business of your authority, you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS DIRECTOR	AUDIT COMMITTEE	30 MARCH 2010	4

## REVIEW OF FINANCIAL PLANNING AND MANAGEMENT

### Public Item

This item is for consideration in the public part of the meeting

### Summary

At its meeting on 25 June 2009, the committee reviewed the findings and recommendations of KPMG following its audit of financial planning and management, following this, the recommendations of KPMG were translated into an Action Plan which was presented to the committee in September 2009. The committee requested to keep progress of the actions contained within the Plan under review. As a consequence, the Action Plan is attached showing progress to date.

### Recommendations

1. That it be noted that the majority of recommendations have been implemented. Management Team will ensure that outstanding and on going actions are kept under review.

## Cabinet Portfolio

The item falls within the following Cabinet portfolio:  
Finance and Efficiency: Councillor Roger Small

### Report

1. The Financial Planning and Management Action Plan is attached for review

Report Author	Tel	Date	Doc ID
Tracy Scholes	(01253) 658521	11 March 2010	

List of Background Papers		
Name of document	Date	Where available for inspection
Action Plan		Attached as an appendix

### **Attached documents**

As above

IMPLICATIONS	
Finance	Implications outlined in action plan
Legal	No direct implications
Community Safety	No direct implications
Human Rights and Equalities	No direct implications
Sustainability and Environmental Impact	No direct implications
Health & Safety and Risk Management	No direct implications



**REVIEW OF FINANCIAL MANAGEMENT & PLANNING  
ACTION PLAN (KPMG REPORT)**

<b>No.</b>	<b>Risk</b>	<b>Issue and recommendation</b>	<b>Management response</b>	<b>Officer and due date</b>
1	1	The Council should continually assess the viability of the savings identified in the MTFS, especially the £300,000 'staffing cost'. Alternatives may need to be identified should this prove unachievable.	Staffing savings adjusted to £150,000 and delivered by Directorates in 20p9/10	Implemented
2	2	The Council should look to implement a 'procure-to-pay' purchase ordering system – thereby allowing a more commitment basis for monitoring budgets whilst ensuring a consistent approach to procurement across the Council which may in turn deliver value for money savings through economies of scale.	<p>The CIVICA purchase ordering system is currently in operation in all sections of the Council other than Operational Services. As an interim measure in order to avoid the re-training of users it is controlled centrally by Finance pending upgrade of CIVICA versions.</p> <p>The training of users on the upgraded version of CIVICA is scheduled for June 2010.</p>	Head of Finance June 2010
3	2	The Council should improve its cash flow forecasting arrangements to include a 1, 3, 6 and 12 month forecast.	The Finance team manage cash flow over the short term 1 to 3 month maximum which is manageable within existing resources. To achieve a 6-12 month forecast would require additional resources.	Implemented.

No.	Risk	Issue and recommendation	Management response	Officer and due date
4	2	The Council needs to better link financial and service planning and should consider a number of pilot Base Budget / Value for Money Reviews for services.	Value for money now an integral aspect of service planning and value for money studies underway, for example, Financial Services Service Level Agreement VFM study. Performance Group established under the stewardship of the Chief Executive to ensure a focus is continued to be given to performance management linking in the financial planning.	Implemented
5	1	Reports to Members should include both financial and performance data to enable informed decisions to be made.	Chief Executive will instruct report authors to include linked financial and performance data where appropriate to improve decision making.	Implemented
6	2	The Council should further develop risk management tools and modelling techniques to help anticipate the impact on both financial and performance targets at a service level.	Financial interactive modelling techniques already in place. Focus has been on achieving a balanced budget in financial crisis to make it sustainable. MTFS Contains major financial risk analysis. Financial scenario planning and risk management techniques will be built into future budget modelling at service level.	On going work



# REPORT



REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS DIRECTOR	AUDIT COMMITTEE	30 MARCH 2010	5

## CORPORATE GOVERNANCE IMPROVEMENT PLAN

### Public Item

This item is for consideration in the public part of the meeting

### Summary

The Audit Committee is charged with adopting the Annual Governance Statement and monitoring the progress in fulfilling the Corporate Governance Action Plan. This report details with the latest progress in fulfilling the plan.

### Recommendations

That the committee notes the latest position on actions included within the 2009/10 Corporate Governance Improvement Action Plan 2009/10.

### Reasons for recommendation

The report indicates the current position

### Alternative options considered and rejected

The report is for information and comment only

## Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance and Efficiency: Councillor Roger Small

### Report

1. The Annual Governance Statement for the year ended 31 March 2010, together with associated improvement actions, was adopted in June of last year.
2. It is the responsibility of the Audit Committee to keep the improvement actions under review and an Improvement Plan is attached showing the latest progress.

Report Author	Tel	Date	Doc ID
Tracy Scholes	(01253) 658521	11 March 2010	

List of Background Papers		
Name of document	Date	Where available for inspection
Improvement Plan		Attached as an appendix

### **Attached documents**

As above

IMPLICATIONS	
Finance	Implications outlined in action plan
Legal	No direct implications
Community Safety	No direct implications
Human Rights and Equalities	No direct implications
Sustainability and Environmental Impact	No direct implications
Health & Safety and Risk Management	No direct implications

## Corporate Governance Improvement Plan 2009/10 **Appendix**

SIGNIFICANT GOVERNANCE ISSUES		AGREED IMPROVEMENT PLAN			
Objective	Action	Officer	Date	Status	Comment
AGS 1. The Council will work further to implement the Council's Medium Term Financial Strategy (MTFS) ensuring that the level of reserves are reviewed and maintained and that budgetary control procedures are enhanced during the course of the year.	1. The minimum level of reserves will be maintained at £750k. throughout the financial year	S 151 Officer	Mar 10	Completed	The current level of reserves is above the target minimum and anticipated to remain so for the financial year.
	2. Budgetary control procedures will incorporate: <ul style="list-style-type: none"> <li>Monthly budget monitoring reports to budget holders</li> <li>Quarterly 'Hotspot' budget monitoring reports to portfolio holders</li> <li>Both monthly and quarterly reports will feed into the MTFS</li> </ul>	POD	Sep 09	Completed	Budget monitoring procedures are in accordance with the action as specified.
AGS 2. The Council will ensure that the purchase ordering system, which comprises part of the financial management system CIVICA, is embedded.	3. The purchase ordering system will be: <ul style="list-style-type: none"> <li>piloted in IT and Finance</li> <li>rolled out across the authority</li> <li>embedded within the financial management system</li> </ul>	POD	Jun 10 Jan 10	In progress	The purchase ordering module of the CIVICA financial management system has been successfully piloted in the IT and Finance team. It will be rolled out section by section across the whole authority by June 2010.
AGS 3. The Council will continue to build on recent Value for Money (VFM) work to ensure the relationship of cost, outcomes and performance is understood and used to improve and drive quality, efficiency and inform commissioning decisions.	4. The service planning template will be upgraded to emphasise the requirement to benchmark services to assist in the assessment of VFM.	TS	Nov 09	Completed	Waste Management Modernisation Pilot recommended and approved by Cabinet.  The Scrutiny review is an ongoing process without an target end-date
	5. During service planning each Director will be required to identify two areas for VFM review annually to drive efficiency improvements.	MT	Jan 10	Completed	
	6. Scrutiny will undertake a rolling review of all shared service arrangements including VFM.	MT	N/A	Ongoing	
	7. Hotspot budget monitoring reports will be reported to Scrutiny to coincide with performance reports to improve knowledge of costs to outcomes and performance.	MT	Nov 09	Completed	

# Corporate Governance Improvement Plan 2009/10 **Appendix**

SIGNIFICANT GOVERNANCE ISSUES		AGREED IMPROVEMENT PLAN			
Objective	Action	Officer	Date	Status	Comment
AGS 4. The Council will revise the Capital Strategy and existing Asset Management Plan to provide an asset base fit for purpose, providing Value for Money and maximising the use of assets for the benefit of the community.	8. The Capital Strategy and existing Asset Management Plan will be revised to provide an asset base fit for purpose, providing VFM and maximising the use of assets for the benefit of the community.	PWa	Mar 10	Pending	
AGS 5. The Council will develop a framework to ensure that it is efficient in its use of natural resources and its impact on the environment.	9. The first draft of a framework to ensure the Council is efficient in its use of natural resources and sensitive to its impact on the environment will be developed.	AL	Mar 10	Pending	Cabinet (January 2010) agreed that from 1 April 2010, the existing resources allocated to the FLoWE project would be re-prioritised to ensure that the Energy Saving Trust Key Account programme is developed and implemented to produce a strategic sustainable energy action plan across the range of the local authority's influence.
AGS 6. The Council will further develop its HR/Organisation and Workforce Development Strategy to reflect current challenges such as sickness absence and ensure that sufficient investment is made into employee training.	10. The existing HR/Organisation and Workforce Development Strategy will be developed to reflect current challenges such as sickness absence.	AO	Mar 10	Completed	People Strategy approved by Cabinet Jan 2010 following two MT workshops to develop the strategy.
	11. The Attendance Management Policy will be introduced to strengthen measures that contribute to a consistent, supportive and fair approach to dealing with absence, and embedded.	AO	Jun 09	Completed	The Attendance Management Policy was introduced and effective from May 2009.
	12. Refresher training will be provided to managers in the consistent application of the new policy.	AO	Jun 09	Completed	Refresher training has been provided to managers in the application of the policy. Extensive guidance is available on the Intranet.

<p>AGS 7. The Council will put in place more robust arrangements to engage with stakeholders in line with the Duty to Involve requirements ensuring that feedback is used to guide future service delivery and failures are addressed through a corporate complaints system.</p>	<p>13. A Communication &amp; Consultation Strategy will be developed to secure effective communication and consultation with all stakeholders as an integral component in the decision-making and service delivery process.</p>	TS	Jan 10	In progress	A draft Communication & Consultation Strategy is prepared for approval by the Portfolio Holder.
	<p>14. A corporate Complaints Procedure will be adopted which:</p> <ul style="list-style-type: none"> <li>♦ is simple to use and equally accessible to all</li> <li>♦ gives customers confidence that their complaints are being dealt with effectively</li> <li>♦ takes action to solve problems and generates a positive attitude to feedback</li> <li>♦ generates a consistent approach to complaints throughout the Council</li> </ul>	AO	Sep 09	Completed	The new corporate Complaints Procedure was introduced and effective from August 2009.

KEY: AL = Andrew Loynd; AO = Allan Oldfield; MT = Management Team; POD = Paul O'Donoghue; PW = Paul Walker; TS = Tracy Scholes



# REPORT

REPORT OF	MEETING	DATE	ITEM NO
CUSTOMER & OPERATIONAL SERVICES	AUDIT COMMITTEE	MARCH 30 <sup>TH</sup> 2010	6

## IT RISK ASSESSMENT ACTION PLAN - UPDATE

### Public item

This item is for consideration in the public part of the meeting.

### Summary

The report provides the committee with details of an outstanding action that was on the IT Risk Assessment Audit from 2008.

### Recommendations

1. That the committee sign off completion of this action and closure of the IT Risk Assessment Plan.

### Portfolio Holder

The Cabinet Portfolio Holder for Partnerships and Community Engagement is Councillor Karen Buckley.

### Report

1. An IT Risk Assessment was carried out in 2008 that identified seven actions that would improve IT security. The actions are listed in Appendix 1 to this report along with the dates the actions were completed and supporting commentary.
2. Six of the seven actions were completed within the agreed target time frame with action R5 on Appendix 1 the only outstanding action. A commitment was made in April 2008 to this committee to report back when the action had been completed.
3. In April 2008 the back up tapes were being stored at the Public Offices as an interim measure. However, this was unsuitable because it is less than half a mile from the

Town Hall. Other locations had been ruled out because of inadequate storage or accommodation moves i.e. Freedom House was vacated and plans are in place to relocate the Fleet Management Service from Poulton.

4. In September 2009 plans were drawn up to refurbish the staff accommodation and undertake essential health and safety at the Snowden Road Depot in St. Annes. This presented the opportunity to create a suitable storage environment for the back up tapes. A lockable fire proof safe was ordered to be located at the depot which is approximately three miles from the Town Hall. The safe requires specialist lifting equipment and was delivered to the Depot in March 2010.
5. The back up tapes are now stored off site in a location in excess of half a mile from the Town Hall. Action R5 is therefore complete and the IT Risk Assessment Action Plan has been signed off.

IMPLICATIONS	
Finance	The cost of transferring the tapes to the depot in mileage payable to employees is approximately £600 per annum that will need to be met from existing budget provision.
Legal	There are no direct legal implications arising from the report.
Community Safety	There are no direct community safety implications.
Human Rights and Equalities	There are no direct human rights and equalities implications arising from the report.
Sustainability	There are no direct sustainability implications arising from this report.
Health & Safety and Risk Management	The action plan is a result of a risk assessment and any risks are mitigated by the actions undertaken.

Report Author	Tel	Date	Doc ID
<b>ALLAN OLDFIELD</b>	<b>(01253) 658576</b>	<b>MARCH 10<sup>TH</sup> 2010</b>	

List of Background Papers		
Name of document	Date	Where available for inspection
Audit Committee Report	April 10 <sup>th</sup> 2009	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

List of appendices

## **Appendix 1: The IT Risk Assessment Action Plan Update**

## Appendix 1: IT Risk Assessment Plan Update

	Recommendation	Completion Date	Comment
R1	Produce corporate guidelines for application system testing, document the testing and formalise sign off of system installations and updates	N/A	System administration for bespoke business systems is addressed in the relevant service area in accordance with procedures for administration as agreed in consultation with the supplier.
		July 2008 (IT)	A procedure is in place to carry out corporate system updates that includes the requirement to sign off the update.
R2	Develop a policy for the retention and checking of Audit Trails	August 2008	This work has been completed and has already been revised and further improved in 2009 in response Government Connect requirements.
R3	Review the procedures for dial in systems and improve the security	September 2008	All suppliers are now on the Citrix solution that is secure and was further enhanced in 2009 in response to Government Connect requirements with the need for two factor authentication.
R4	Senior Management Group to consider and authorise significant changes on a regular basis to ensure that they fit with the authority's priorities and aims	November 2008	Senior managers are consulted on the IT Strategy and Computer Use/Security Policy. Service managers sign off all requests for change originated within their Unit/Teams. The IT Manager checks that the requested changes conform to the necessary policies and strategies. Most recent example of this working effectively is the new computer security policy introduced in March 2009.
R5	Offsite copies of data should be retained in a locked, fireproof container in a building at least half a mile from the computer room	March 2010	A lockable fireproof container has been located at the Snowdon Road depot which is approximately three miles from the Town Hall. The delivery date was chosen to coincide with the completion of the essential health and safety works being undertaken at the depot.
R6	Complete the development of a Disaster Recovery Plan and test it as soon as possible	January 2009	A disaster recovery plan is in place in partnership with LCC and Wyre. The plan is subject to ongoing development and update in response to service changes. Testing is carried out at least twice per annum.
R7	Ensure that vacant posts within the IT service are filled with the minimum delay	December 2008	The decision was taken to delete a senior vacancy in the IT Team to save money. The team have restructured their duties and deliver a service that reflects the available resources. Any vacancies are filled immediately unless otherwise prevented by budget / management requirements.

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
DIRECTOR OF STRATEGIC DEVELOPMENT SERVICES	AUDIT COMMITTEE	30 <sup>TH</sup> MARCH 2010	7

## OUTSTANDING STRATEGIC RISK ACTIONS FROM 2009/10

### Public Item

This item is for consideration in the public part of the meeting

### Summary

The report provides the committee with details of 6 outstanding actions from the 2009/10 Strategic Risk Action Plan.

### Recommendation

That the Committee notes that the LDF Steering Group is to shortly agree a new work plan for delivery of the Core Strategy/LDF and that a revised risk register will in due course be produced and considered by the Strategic Risk Management Group covering the key issues in production of the Core Strategy/LDF.

That the Committee notes that work on the Regeneration Framework is underway and is due for completion and consideration by Cabinet/Portfolio Holder by 31<sup>st</sup> July 2010.

### Reasons for recommendation

To agree revised consideration of the 6 outstanding actions

### Alternative options considered and rejected

To not agree a revised way forward and ignore consideration of any new risks in progression of the Core Strategy/LDF. This is rejected as the risk register needs to remain flexible and be regularly reviewed so as to mitigate against future new unknown risks.

### Cabinet Portfolio

The item falls within the following Cabinet portfolios:  
Planning and Development: Councillor Dr Trevor Fiddler

## Report

1. At the January meeting members considered a report which summarised the work undertaken in completing the Strategic Risk Actions contained in the 2009/10 Risk Register. The Committee noted the 6 outstanding actions and requested an update report be presented to the March meeting of the committee detailing proposals to remedy these.
2. Of the remaining 6 actions due for completion 5 relate to the production of various elements of the Local Development Framework (LDF). The previous report mentioned that since the adoption of the Risk Register at the start of 2009/10, the recommendations of the Planning Advisory Service who conducted a peer review of our LDF process have been received and an LDF member/officer steering group chaired by the Portfolio Holder has been established. The Steering Group reviewed the proposed risk actions in considering whether to pursue a reduced scope Core Strategy. The scope of the Core Strategy will in turn determine the amount of work required to be undertaken. As part of this consideration the Council has now sought specialist legal advice on defining the scope and timescale of the Local Development Scheme (the plan to deliver the LDF).
3. The advice received advised against pursuing a reduced scope Core Strategy for the following reasons:
  - Planning Policy Statement 12 recommends that Core Strategies should be comprehensive and holistic in their approach.
  - In particular the Barrister quoted the following paragraphs from Planning Policy Statement 12 Preparation of a Local Development Document.
    - *Every Local Planning Authority should produce a Core Strategy which includes an overall vision which sets out how the area and the places within it should develop;*
    - *The vision should be informed by an analysis of the characteristics of the area and its constituent parts and the key issues and challenges facing them.*
  - The Barrister concluded that the Core Strategy would be found 'unsound' if it attempted to deal with a limited number of issues in isolation, as most of the issues will be related to and will impact upon other issues. For example the delivery of housing will be inextricably linked to the provision of employment and transport.
4. This advice clarifies the position and means a revised work plan for completion of the LDF is currently being formulated. Resources will shortly be in place with two new members of staff starting in the Planning Policy team in mid April to help accelerate progress of the Core Strategy and LDF. In addition the County Council has agreed to provide a secondment from Easter for two days per week until further notice.
5. The LDF steering group meets again on 21<sup>st</sup> April when it will agree a revised work plan. This will then become the means of monitoring progress with achievement of the Core Strategy/LDF and will be reported to members initially through a report to Cabinet and then in turn Council as part of adoption of a revised Local Development Scheme. The revised work plan will also necessitate revision of the risk register which will be reported to the Strategic Risk Management Group.

6. The remaining outstanding action is production of the Regeneration Framework. The reason for the delay in commencing this is because of the priority given to completing the Lytham St Annes 2020 Vision document necessary to facilitate the bidding for resources to support the Open Golf Championships in 2012. Work has now commenced on the Regeneration Framework and is due to be reported to Cabinet/Portfolio Holder by July.
7. The outstanding actions from 2009/10 are shown in the table below with a proposed response in line with this report.

Outstanding action	Proposed revised remedy
Undertake a study of the potential of the borough to accommodate renewable energy and low carbon technology projects	The need for and phasing of these actions will be reviewed and considered by the LDF steering group in agreeing a new Core Strategy/LDF work plan. A revised risk register will be prepared and agreed by the Strategic Risk Management Group
Undertake viability study in relation to the provision of affordable housing	
Sustainability appraisal scoping report update	
Undertake sustainability appraisal of core strategy development options	
Review the Local Development Scheme (LDS) statutory requirement	A revised LDS will be considered and agreed by Council when the LDF steering group has agreed a new work plan.
Produce regeneration framework	Revised target date of 31 <sup>st</sup> July 2010

## Financial Implications

Funding for progression of the Core Strategy/LDF was agreed by Cabinet in September 2009.

## Risk

New risks emerging from a revised Core Strategy/LDF work plan will be assessed and agreed by the Strategic Risk Management Group.

IMPLICATIONS	
Finance	There are no implications
Legal	There are no implications
Community Safety	There are no implications
Human Rights and Equalities	There are no implications
Sustainability	There are no implications
Health & Safety and Risk Management	There are no implications

Report Author	Tel	Date	Doc ID
Paul Walker	(01253) 658431	14 <sup>th</sup> March 2010	

List of Background Papers		
Name of document	Date	Location
Cabinet Agenda/Minutes	16 <sup>th</sup> September 2009	<a href="http://www.fylde.gov.uk/meetings/details/719/">http://www.fylde.gov.uk/meetings/details/719/</a>

# REPORT

REPORT OF	MEETING	DATE	ITEM NO
CHIEF EXECUTIVE / MONITORING OFFICER	AUDIT COMMITTEE	MARCH 30 <sup>TH</sup> 2010	8

## PROPOSED AMENDMENT TO THE CONSTITUTION

### Public item

This item is for consideration in the public part of the meeting.

### Summary

The report suggests a minor amendment to Appendix 9 of the Council's Constitution (protocol on Member – Officer relations) to formalise future briefing arrangements for non-administration Members.

### Recommendation

1. That the Audit Committee recommends to Council the proposed revision to Appendix 9 of the Constitution outlined in Appendix A of this report.

### Report

1. During 2009 the non-administration Members nominated a spokesperson to 'shadow' the work of each of the Portfolio Holders on the Council's Executive Cabinet.
2. A schedule of routine briefing meetings was established in July 2009 on a six-weekly cycle to provide the opportunity for an exchange of information between the Council's management team and the nominated shadow spokespeople.
3. The Leader of the Opposition has indicated her view that this arrangement has not been effective and advised in October 2009 that the nominated shadow spokespeople would discontinue any future briefings other than those associated with the annual budget preparation. In addition to this she indicated that the arrangements in place at Lancashire County Council (LCC) worked well and that it would be helpful if these could be considered for implementation at Fylde Borough Council.
4. The LCC arrangements have now been reviewed and are recommended in this report for incorporation into the Fylde Borough Constitution. The relevant clauses are contained in the Protocol on Member-Officer Relations, which appears in Appendix 9 of the Constitution.



5. The relevant extract of Appendix 9 of the Constitution is attached at Appendix A of this report. A suggested additional paragraph is highlighted at 9.4 in bold italics which is adapted from the LCC Constitution.
6. Further comments received from the County Council during the review of their Constitution indicate that *“in general, formal opposition group briefings prior to meetings are not arranged as a matter of routine, it is left to the groups to contact relevant directors if they want a briefing on a particular item of business”*.
7. Alterations to the Council's Constitution may be made by one of three routes:-
  - By proposal from the Monitoring Officer or the Chief Executive,
  - By a notice of motion, or
  - By recommendation from the Audit Committee.
8. Any changes to the Constitution must be approved by full Council and the Committee is therefore asked to consider this proposal and make an appropriate recommendation to Council.

IMPLICATIONS	
Finance	There are no direct financial implications arising from the report.
Legal	These are contained in the body of the report.
Community Safety	There are no direct community safety implications.
Human Rights and Equalities	There are no direct legal implications arising from the report.
Sustainability	There are no direct legal implications arising from the report.
Health & Safety and Risk Management	There are no direct legal implications arising from the report.

Report Author	Tel	Date	Doc ID
CHIEF EXECUTIVE	(01253) 658500	MARCH 2010	

List of Background Papers		
Name of document	Date	Where available for inspection
Fylde Borough Council Constitution	March 2010	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

List of appendices

## **Appendix 1: Proposed Revision to Constitution**

**CONSTITUTION – APPENDIX 9 (Extract)**

**7. GROUP MEETINGS**

7.1 No officer of the Council shall be obliged to attend a meeting of a political group.

**8. POLITICAL NEUTRALITY**

8.1 The paid service is politically neutral. Certain posts, by reason of their seniority or their sensitive nature, are also politically restricted.

8.2 Members are entitled to receive the same courtesy, service and respect from [Officers](#), whatever their political group. Members shall respect the political neutrality of officers and shall seek to avoid any action on their part, which might compromise that neutrality.

**9. BRIEFINGS**

9.1 The Chairman and Vice-Chairman of a Committee etc are entitled to receive a briefing, during normal office hours (or, by arrangement, after normal office hours), by Officers on reports by officers to be submitted to that meeting at a time convenient to the members prior to the meeting.

9.2 A member of the [executive](#) is entitled to receive a briefing, during normal office hours (or, by arrangement, after normal office hours), by officers on matters submitted to him for decision at a time convenient to the member before the time when he proposes to make the decision.

9.3 The [executive leader](#) is entitled to receive a briefing, during normal office hours (or, by arrangement, after normal office hours), by Officers on reports by officers to be submitted to a forthcoming meeting of the executive at a time convenient to him prior to the meeting.

***9.4 A nominated non-administration spokesperson is entitled to request and receive briefings during normal office hours (or, by arrangement, after normal office hours) on issues of Council business to be considered by the Full Council, Cabinet, Cabinet members, or committees. The briefing is provided by the appropriate Director or his/her nominated representative***

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	30 MAR 2010	9

## INTERNAL AUDIT PLAN 2010-2011

### Public Item

This item is for consideration in the public part of the meeting.

### Summary

The terms of reference for the Audit Committee include approving but not directing internal audit's plan. This report outlines the Internal Audit Plan for the financial year 2009/10 and briefly describes the methodology used in its production.

### Recommendation

The Committee approves the Annual Internal Audit Plan 2009-10.

### Reasons for Recommendation

The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government requires that Internal Audit should have a plan and that the Audit Committee should approve but not direct it.

### Alternative options considered and rejected

No other course of action is advocated.

### Cabinet Portfolio

Finance & Resources

Councillor Roger Small

## **Report**

### **Introduction**

1. This report sets out the audit work plan for the financial year 2010 -11. The work planned takes into account:
  - ♦ Internal Audit's objectives
  - ♦ discussions with managers
  - ♦ discussions with partners
  - ♦ key issues identified for 2010 -11
  - ♦ the results of previous audits
  - ♦ the cyclical programme of audit work
  - ♦ the resources available
  - ♦ level of risk within each service
2. The work of the team may be broken down into several main services to the Council:
  - ♦ Reviews of Council systems and processes on a risk assessed basis to ensure controls are adequate
  - ♦ Compliance testing to ensure significant financial systems remain 'fit for purpose'
  - ♦ Provision of consultancy and advice to management on request regarding aspects of internal control
  - ♦ Fraud investigation, where appropriate, in conjunction with the Investigations team
  - ♦ Follow Up Work to ensure findings are implemented

### **Planning considerations**

3. The Code of Practice requires the Chief Internal Auditor to prepare a risk based audit plan. In order to make best use of audit resources, the need for audit reviews in individual areas is considered, based on a risk assessment, which considers:
  - ♦ materiality - the relative value of funds flowing through a system or in the case of non-financial systems the comparative impact on service delivery and the control environment
  - ♦ business Risk - the extent to which the system is perceived to be well managed
  - ♦ assurance - a factor to reflect the latest available assurance rating awarded by Internal Audit following an audit review of the area
  - ♦ fraud - the extent to which the area is exposed to potential fraud and abuse
  - ♦ time – a factor to represent the time since the area was last subject to audit

The risk scores are statistically weighted and provide a level of relative risk for each system

4. This risk assessment is then translated into a five year strategic audit plan which shows the frequency of audit reviews, and an annual operational plan, which sets out the areas to be covered in the current year, taking into account resource constraints.

## Other Elements

5. In addition to those activities identified as a result of the above process some other areas are also reviewed annually - these include corporate governance and performance management activities. These topics are not subject to the risk assessment process.
6. It should also be emphasised that within the dynamic environment that the Council operates, business risks are prone to change and the plan is not intended to be regarded as rigid. Areas for review can and will emerge in-year.
7. Consequently a contingency provision has also been included in the plan to cover changes in circumstances after the completion of the risk assessment, such as specific management requests for audit, ad hoc work, on-demand tasks and special investigations. This recognises that the plan, whilst produced on an acknowledged risk basis, remains a flexible document.
8. There were a number of audit reviews that were ongoing at the end of March 2010 and the days to complete these are also included in the current year's plan.

## Conclusion

The Audit Plan for the 2010/11 financial year is attached as an Appendix.

## Risk Assessment

This item is for information only and makes no recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	30 March 2010	

List of Background Papers		
Name of document	Date	Where available for inspection
Internal Audit Plan 2009-10		All background papers or copies can be obtained from Savile Sykes, Head of Internal Audit on 658413 or email <a href="mailto:saviles@fylde.gov.uk">saviles@fylde.gov.uk</a>

## Attached documents

### 1. Internal Audit Plan 2009-10

IMPLICATIONS	
Finance	Key financial systems are subject to a full system based audit every two years.
Legal	None arising directly from the report
Community Safety	None arising directly from the report
Human Rights and Equalities	None arising directly from the report
Sustainability and Environmental Impact	None arising directly from the report
Health & Safety and Risk Management	The agreement of an annual audit plan will assist the Council to put in place an appropriate control framework and effective internal controls that provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

## FYLDE BOROUGH Council - Internal Audit Plan 2010/2011

<b>Main Financial Systems</b>	<b>Days</b>	<b>Sub Totals</b>
Cash Collection	2	
Council Tax	2	
Creditors	16	
Housing Benefit/CTax Benefit	29	
Main Accounting (inc slippage)	12	
National Non-Domestic Rates	25	
Payroll	16	
Sundry Debtors	16	
Treasury Management	1	119
<b>Strategic Risks</b>		
Asset Management (slippage)	15	
Complaints Process	18	
Contracts & Tendering (slippage)	7	
Purchasing	18	
Follow Up Work	3	61
<b>Operational Risks</b>		
Annual Leave & Flexitime	18	
CS Licensing Income	16	
Mayoral Charity	12	
Sandwinning Income	3	
Follow Up Work	8	57
<b>Corporate Governance</b>		
Annual Governance Statement	6	
Audit Committee – Review of Effectiveness	2	
Internal Audit – Review of Effectiveness	3	
Risk Management	18	
Use of Resources - KLOE	9	38
<b>Performance Management</b>		
PI Data Quality Review	12	
Follow Up Work	2	14
<b>Computer Audit</b>		
ICT Audit Liaison/Assistance	17	
Follow Up Work	6	23
<b>Anti-Fraud</b>		
Fraud & Corruption Modules	7	
National Fraud Initiative	8	
Prevention of Fraud & Corruption	3	
Follow Up Work	5	23
<b>Other Audit Work</b>		
Authorisation Schedules	4	
Cancelled/Replacement Cheques	15	19
<b>Reactive Work</b>		
General Consultancy/Advice	12	
IA Communication/Liaison	11	

Contingency	55	78
<b>TOTAL AUDIT WORK</b>	<b>424</b>	<b>424</b>
<b>Audit Team</b>		
Management & Administration	154	154
<b>Non-Audit Work</b>		
Benefit Fraud Service - Monitoring/Liaison	8	
Controlled Stationery	15	
Corporate & Democratic Core	14	
Revenues & Benefits Service - Liaison	8	
Risk Services - Management	9	
Other	11	65
<b>TOTAL DAYS ALLOCATED</b>	<b>649</b>	<b>649</b>



# REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	30 MAR 10	10

## FRAUD AWARENESS SURVEY

### Public Item

This item is for consideration in the public part of the meeting.

### Summary

This report summarises the results of the recently completed fraud awareness survey 2009/2010. Our findings and comments are based on the completed surveys from staff and the analysis of those responses.

### Recommendation

The Committee notes the report and welcomes its findings.

### Reasons for recommendation

This report is for information only.

### Alternative options considered and rejected

No other course of action is advocated.

### Cabinet Portfolio

Finance & Resources

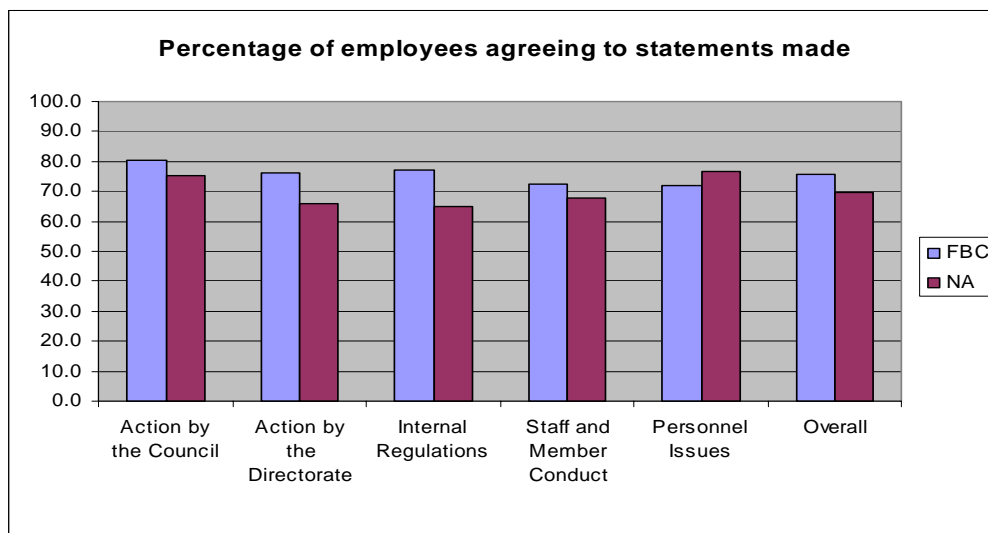
Councillor Roger Small

## Introduction

1. In the period August to September 2009 Council employees were asked to complete a Fraud Awareness survey. The purpose of the survey was to help the Council to measure how embedded and understood its counter fraud and ethical governance framework is.
2. The survey is part of a portfolio of tools developed by the Audit Commission's Good Conduct and Counter Fraud Network. The 10<sup>th</sup> Report by the Committee on Standards in Public Life endorsed this survey and recommended its use throughout the public sector.
3. Employees were asked to consider a statement and to select one of six responses; agree strongly, agree, agree slightly, disagree slightly, disagree and disagree strongly.
4. The outcomes of the survey will help the Council to identify strengths and weaknesses and to determine what actions to take to improve and develop the counter fraud and ethical governance framework.
5. The results of the survey were encouraging and demonstrated a relatively high level of awareness and understanding of the issues amongst staff. Comparison with the national average responses was also favourable.

## Summary of Findings

6. Overall Fylde's staff demonstrated a higher than average level of awareness of counter fraud and corruption arrangements and confidence in them when compared to other councils.



Note: NA = National Average

7. The survey was completed by 101 staff which was a 29% response rate. This response rate was sufficient to ensure statistically reliable results. The data was recorded in such a way as to allow responses to be identified by directorate and pay scale.

Which directorate do you work in?	
No reply	2.0%
Community Services	18.8%
Customer & Operational Services	40.5%
Governance & Partnerships	23.8%
Strategic Development	13.9%
Executive Team	1.0%

What is your Pay Grade?	
No reply	1.0%
Scale 1-6	68.3%
Senior Officer Grade	11.9%
Principal Officer Grade	17.8%
Management Team	1.0%

8. Respondents to the survey had to score questions within 3 'agree' categories and 3 'disagree' categories ranging from 'strongly' to 'slightly'. The survey contained 27 questions split into 5 sections as follows:
- Changing the culture - action by the Council;
  - Changing the culture – action by the directorate;
  - Internal regulations;
  - Staff and member conduct;
  - Personnel issues.
9. This year's survey included a much greater percentage of manual employees than in previous years, around 40% of responses. Year on year comparisons of office-based staff showed very high and continuing improvements in awareness of fraud issues and knowledge of their role and the Council's approach. This year's survey also showed high levels of awareness and knowledge among manual employees but at a lower level than office-based counterparts.
10. Comparison with the national average responses was also generally favourable with the Council outperforming the national average on 22 questions (when the 3 'agree' categories are amalgamated) and by a reasonable margin in many cases, as can be seen from the summary table below.

PREVENTING & DETECTING FRAUD & CORRUPTION	'Agree' Categories	
	FBC %	National Average%
<b>An Effective Culture – Action by the Council</b>		
The organisation has made clear its commitment to fight fraud and corruption.	85.6	85.5
This is making a positive difference.	77.7	79.3
I am clear about the part I am expected to play in this.	90.9	77.7
I believe that employees are clear about the part they are expected to play in this.	83.7	71.4
I am confident about reporting a possible fraud	81.8	76.5
I would be more confident in reporting possible fraud than 6 months ago.	63.9	61.7
<b>An Effective Culture – Action by the Directorate</b>		
My directorate has made a clear anti-fraud and corruption commitment	79.4	68.2
There are clear and confidential arrangements for staff to express concerns about fraud and corruption	79.4	71.0
I am aware of the Whistleblowing arrangements, and the protection this affords an employee making a disclosure concerning fraud and corruption	70.4	58.3
<b>Internal Regulations</b>		

There are comprehensive internal regulations that clearly cover key risk areas.	83.2	74.5
I am aware of how our internal regulations affect my work in minimising fraud.	77.3	63.4
I believe staff are aware of how our internal regulations affect their work and their personal responsibilities.	73.2	55.6
There are agreed and documented procedures for handling breaches of internal regulations.	76.8	62.7
I believe that internal controls, including the proper segregation of duties, exist and work effectively.	76.0	68.8
<b>Staff &amp; Member Conduct</b>		
There is a Standards Committee responsible for upholding standards of conduct within the Council.	80.4	78.9
I understand the role of the Standards Committee and believe it to operate effectively.	68.0	59.7
Codes of conduct are established for staff and members regarding their personal behaviour.	80.4	81.5
Staff and members are required to acknowledge that they understand the guidance.	77.3	68.0
Training is given to staff and members on conduct issues.	55.2	54.5
A register is kept in which staff and members are required to record any interests which may compromise their impartiality.	76.3	72.1
Staff and members are reminded of the need to record such interests.	68.4	63.8
The register of interests is reviewed regularly.	66.3	57.3
Registers are kept in which staff and members record the receipt and offering of hospitality or gifts.	78.9	77.1
Staff and members are reminded of the need to record any hospitality or gifts.	72.6	73.0
The gifts and hospitality registers are reviewed regularly.	70.2	61.3
<b>Personnel Issues</b>		
Adequate checks are undertaken before recruiting temporary and permanent staff.	72.3	77.4
Our disciplinary procedures provide an effective deterrent to fraud and corruption.	71.6	75.9

11. Areas where staff awareness was high or where they felt arrangements were strong included:

- the Council's clear commitment to fight fraud and corruption;
- that staff are clear about their and their colleague's roles in the fight against fraud and corruption;
- that directorates have clear anti-fraud commitment;
- that 70.4 per cent of staff said that they were aware of the Whistleblowing arrangements and the protection it afforded - more than 20 % above the National Average;
- that comprehensive internal regulations clearly cover key risk areas;
- that internal regulations provide an effective deterrent to fraud and corruption;
- that the staff have a clear understanding of the impact on them and their colleagues of internal regulations designed to minimise fraud;
- that there are clear and agreed arrangements in place for handling breaches of internal regulations.
- the existence of a standards committee to uphold standards of conduct at the authority;
- that there are registers for the purpose of declaring interests, gifts and hospitality.

12. The survey did however identify a number of areas where, although there was a relatively strong positive response, there is an opportunity to build on the results to strengthen further staffs' awareness of and confidence in the Council's arrangements. These include the following:

- Almost 30 per cent of employees surveyed are not aware of the Whistleblowing Policy and the protection it affords

- Understanding of the role of the Standards committee and the effectiveness of its operation
- Ensuring that staff are trained in, and understand, the guidance provided concerning their personal conduct
- Reminders to staff about the requirement to record the receipt/offering of gifts or hospitality and any interests which may impair their impartiality
- The review of registers containing declarations of interests and registering gifts or hospitality
- The adequacy of checks that are undertaken before recruiting staff
- Whether disciplinary procedures provide an effective deterrent to fraud and corruption

## Conclusion

12. While there some work to do to improve awareness and understanding even more, and the differential between office-based and manual employees needs to be addressed, this survey has shown the considerable work that has been done to date to publicise and communicate the Council's anti-fraud culture and ethical governance framework is having the desired effect with the great majority of staff understanding the main issues.

## Risk Assessment

13. This item is for information only and makes no recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	30 March 2010	

List of Background Papers		
Name of document	Date	Where available for inspection
None available		

## Attached documents

A detailed breakdown of responses to the survey is attached as an Appendix.

IMPLICATIONS	
Finance	None arising directly from the report
Legal	None arising directly from the report
Community Safety	None arising directly from the report

Human Rights and Equalities	None arising directly from the report
Sustainability and Environmental Impact	None arising directly from the report
Health & Safety and Risk Management	Increased employee awareness of fraud and the knowledge of how to address it through Council procedure will increase the strength of the internal control framework and reduce the risk of fraud and corruption impacting on the Council.

## DETAILED BREAKDOWN OF RESPONSES

### An effective culture – action by the Council

This was the strongest area of staff awareness. The areas where employees were particularly positive were in relation to:

- ♦ the Council's commitment to fighting fraud and corruption;
- ♦ understanding by employees of their and their colleague's roles in the fight against fraud and corruption

The Table shows the range of responses to the various assertions made.

Assertion	Agree Strongly	Agree	Agree Slightly	Disagree Slightly	Disagree	Disagree Strongly
The organisation has made clear its commitment to fight fraud and corruption.	23.7%	52.5%	9.3%	2.1%	3.1%	9.3%
This is making a positive difference.	9.6%	41.5%	26.6%	8.5%	5.3%	8.5%
I am clear about the part I am expected to play in this.	35.4%	47.5%	8.1%	2.0%	2.0%	5.0%
I believe that employees are clear about the part they are expected to play in this.	27.6%	44.9%	11.2%	7.1%	4.1%	5.1%
I am confident about reporting a possible fraud	25.3%	38.4%	18.2%	5.0%	5.0%	8.1%
I would be more confident in reporting possible fraud than 6 months ago.	6.2%	33.0%	24.7%	12.4%	11.3%	12.4%

### An effective culture - action by the directorate

This is an area where staff perceptions were better than that for the average council. The areas where employees were particularly positive were in relation to:

- ♦ the directorate's clear anti-fraud commitment; and
- ♦ the relatively high proportion of staff aware of the Whistleblowing Policy and the protection it affords.

The Table shows the range of responses to the various assertions made.

Assertion	Agree Strongly	Agree	Agree Slightly	Disagree Slightly	Disagree	Disagree Strongly
My directorate has made a clear anti-fraud and corruption commitment	17.5%	47.5%	14.4%	7.2%	7.2%	6.2%
There are clear and confidential arrangements for staff to express concerns about fraud and corruption	15.5%	49.5%	14.4%	5.1%	8.2%	7.2%
I am aware of the Whistleblowing arrangements, and the protection this affords an employee making a disclosure concerning fraud and corruption	14.4%	47.4%	9.3%	10.3%	10.3%	9.3%

The areas where results are considered slightly below the high standards required were as follows:

- Almost 30 per cent of employees surveyed are not aware of the Whistleblowing Policy and the protection it affords.

### Internal Regulations

This was the second strongest area of staff awareness. The areas where employees were particularly positive were in relation to:

- the comprehensive internal regulations clearly covering key risk areas;
- internal regulations providing an effective deterrent to fraud and corruption;
- employee's understanding the impact on them and their colleagues of internal regulations designed to minimise fraud;
- the clear and agreed arrangements in place for handling breaches of internal regulations.

The Table shows the range of responses to the various assertions made.

Assertion	Agree Strongly	Agree	Agree Slightly	Disagree Slightly	Disagree	Disagree Strongly
There are comprehensive internal regulations that clearly cover key risk areas.	14.7%	49.5%	18.9%	3.2%	5.3%	9.4%
I am aware of how our internal regulations affect my work in minimising fraud.	16.5%	42.3%	18.6%	6.2%	7.2%	9.3%
I believe staff are aware of how our internal regulations affect their work and their personal responsibilities.	9.3%	40.2%	23.7%	7.2%	10.3%	9.3%
There are agreed and documented procedures for handling breaches of internal regulations.	17.9%	45.3%	13.7%	4.2%	9.5%	9.5%
I believe that internal controls, including the proper segregation of duties, exist and work effectively.	8.3%	45.8%	21.9%	4.2%	9.4%	10.4%



### Staff and Member Conduct

This was the area where the Council's performance was closest to that for the average of other councils. The areas where employees were particularly positive were in relation to:

- ♦ the existence of a standards committee to uphold standards of conduct at the authority;
- ♦ that there are registers for the purpose of declaring interests, gifts and hospitality;

The Table shows the range of responses to the various assertions made.

Assertion	Agree Strongly	Agree	Agree Slightly	Disagree Slightly	Disagree	Disagree Strongly
There is a Standards Committee responsible for upholding standards of conduct within the Council	18.6%	51.5%	10.3%	7.2%	4.1%	8.2%
I understand the role of the Standards Committee and believe it to operate effectively.	7.2%	32.0%	28.9%	11.3%	11.3%	9.3%
Codes of conduct are established for staff and members regarding their personal behaviour.	23.7%	43.3%	13.4%	6.2%	7.2%	6.2%
Staff and members are required to acknowledge that they understand the guidance.	16.5%	39.2%	21.6%	9.3%	8.2%	5.1%
Training is given to staff and members on conduct issues.	6.3%	25.0%	24.0%	20.8%	10.4%	13.5%
A register is kept in which staff and members are required to record any interests which may compromise their impartiality.	14.4%	44.3%	17.5%	9.3%	5.1%	9.3%
Staff and members are reminded of the need to record such interests.	13.3%	31.6%	23.5%	13.3%	9.2%	9.2%
The register of interests is reviewed regularly.	8.7%	35.9%	21.7%	14.1%	8.7%	10.9%
Registers are kept in which staff and members record the receipt and offering of hospitality or gifts	15.8%	49.5%	13.7%	4.2%	6.3%	10.5%
Staff and members are reminded of the need to record any hospitality or gifts.	15.7%	41.1%	15.8%	9.5%	7.4%	10.5%
The gifts and hospitality registers are reviewed regularly.	12.8%	27.7%	29.8%	10.6%	5.3%	13.8%

The areas where results are considered slightly below the high standards required were as follows:

- ♦ Understanding of the role of the Standards committee and the effectiveness of its operation;
- ♦ Ensuring that staff and members are trained in, and understand, the guidance provided concerning their personal conduct;
- ♦ Reminders to staff and members about the requirement to record the receipt/offering of gifts or hospitality and any interests which may impair their impartiality; and
- ♦ The review of registers containing declarations of interests and registering gifts or hospitality.

### Personnel Issues

This was the area where there was the lowest level of staff understanding and the only area where the positive responses were below the average for other Councils. Nevertheless seven out of ten respondents replied positively.

The Table shows the range of responses to the two assertions made.

Assertion	Agree Strongly	Agree	Agree Slightly	Disagree Slightly	Disagree	Disagree Strongly
Adequate checks are undertaken before recruiting temporary and permanent staff.	14.9%	41.5%	16.0%	7.4%	6.4%	13.8%
Our disciplinary procedures provide an effective deterrent to fraud and corruption.	10.5%	44.2%	16.8%	12.6%	4.2%	11.6%

The areas where results are considered slightly below the high standards required were as follows:

- ♦ The adequacy of checks that are undertaken before recruiting staff; and
- ♦ Whether disciplinary procedures provide an effective deterrent to fraud and corruption.

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	30 MAR 10	11

## ANNUAL REVIEW OF COUNTER FRAUD POLICIES

### Public Item

This item is for consideration in the public part of the meeting.

### Summary

The Audit Committee's terms of reference include the adoption and approval of counter fraud policies. These policies including the Anti-fraud & Corruption Policy and Strategy, the Whistleblowing Policy, the Anti-Money Laundering Policy and the Sanction & Prosecution Policy have either been developed or reviewed and need to be formally endorsed. Together these policies create an integrated approach to tackling fraud.

### Recommendation

1. The Committee approves the policy documents attached as Appendices to this report.

### Reasons for recommendation

To ensure that the Council has in place the key elements of the corporate approach to fraud and corruption in support of the zero tolerance culture.

### Alternative options considered and rejected

No other course of action is advocated.

### Cabinet Portfolio

Finance & Resources

Councillor Roger Small

## Introduction

The Audit Committee's terms of reference and the work plan include the approval of counter fraud policies. Previously such approval was given on an 'ad hoc' basis as new policies were introduced or when changes were made to existing policies.

In order to ensure that an effective and up-to-date framework for countering fraud and corruption is maintained a comprehensive review of all relevant policies and strategies has been undertaken.

The risks of fraud and the potentially damaging consequences that arise as a result require an effective corporate response. Consequently, it is proposed that this annual review will be maintained as part of the committee's work plan for future years to avoid dealing with this important area in a piecemeal fashion.

## Counter Fraud Policies

The Council has, and is continuing to develop, a corporate framework that seeks to minimise the incidence of fraud and corruption and to provide an effect response when it occurs through the creation of a hostile environment for fraudsters.

The following policies and strategies, which form an important element of that regime, are attached for approval in Appendices attached to the report:

- ♦ Anti-fraud and Corruption Policy
- ♦ Anti-fraud and Corruption Strategy
- ♦ Whistleblowing Policy
- ♦ Anti-Money Laundering Policy
- ♦ Sanction and Prosecution Policy

## Anti-fraud and Corruption Policy

This policy was originally adopted by the Audit Committee on 28 February 2008. It has been refreshed to reflect the new corporate arrangements and in addition, some changes have been made as follows:

Paragraph/Section	Comment
1.3	Role of a Senior Officer to champion the Anti-fraud and Corruption Policy
1.5	Explanation of the link to the Anti-fraud and Corruption Strategy
2.1	Examples of possible fraud and corruption added
5	Section re-drafted to reflect links to new corporate vision and key objectives

## Anti-fraud and Corruption Strategy

This strategy was originally adopted by the Audit Committee on 28 February 2008. It has been refreshed to reflect the new corporate arrangements and in addition, some changes have been made as follows:

Paragraph/Section	Comment
1.2	Schedule of relevant policies expanded
4.2 / 28.1	Clarification on use of RIPA
4.3	Re-drafted to reflect new Standards Committee arrangements and legislation
13.3	Commendation of the policy to partner organisations
15.2 / 39.1	Bullet points added concerning identification and scale of losses incurred
Performance	Performance Indicators added - 8 (fraud awareness) & 14 (loss recovery)

## Whistleblowing Policy

This policy was originally adopted by the Audit Committee on 28 February 2008. It has been refreshed to reflect the new corporate arrangements and in addition has been reviewed against the British Standards Institution (BSI) Whistleblowing Arrangements Code of Practice. Some changes have been made as follows:

Paragraph/Section	Comment
3	Section on coverage removed from Introduction and expanded for clarification
9.7	Expanded to explain limitations on feedback to whistleblowers

### **Anti-Money Laundering Policy**

The Council's previous money laundering procedures and guidance, last updated in 2006, have been replaced by a new and comprehensive policy based on best practice. The sections of the policy are as follows:

Section	Comment
1 - Introduction	Background to legislation and Council obligations
2 - Scope	Explains to whom and how the policy applies
3 - Purpose	Sets out the policy aims – to comply with obligations and raise awareness
4 - Definitions	Defines money laundering and suggests possible indicators and risk areas
5 - MLRO	Nominates the Head of Finance as the Money Laundering Reporting Officer
6 - Disclosure	Sets out the disclosure procedure if money laundering is suspected
7 - MLRO Duties	Details the reporting duties of the MLRO and restrictions that may arise
8 - Client ID	Sets out the client identification procedure before undertaking relevant business
9 - Records	Establishes required record keeping for client ID and business transactions

### **Sanction and Prosecution Policy**

The Council's Sanction and Prosecution Policy for use in connection with Housing Benefit and Council Tax Benefit frauds was last updated in 2005. This new policy has been devised in conjunction with the Benefit Fraud Service to bring the Council into line with current best practice. The sections of the policy are as follows:

Section	Comment
1 - Introduction	Describes the principles and objectives underlying the policy
2 - Scope	Defines fraud for the purposes of the policy and its application to benefits
3 - Sanctions	Sets out the four sanctions – prosecution, caution, admin penalty, recovery
4 - Criteria	Details the broad criteria for deciding the appropriate penalty to apply
5 - LA Caution	Sets out the circumstances when a caution would be appropriate
6 - Admin Penalty	Sets out the circumstances when an admin penalty would be appropriate
7 - Prosecution	Sets out the circumstances when prosecution would be appropriate
8 - Overpayment	Confirms overpayments will be recovered from ongoing benefit or court action
9 - Disclosure	Describes voluntary disclosure of fraud and its possible implications
10 - Publicity	Confirms that cases of proven fraud will be publicised via Council media
11 - Review	Describes how the policy will be made available and kept up-to-date

### **Risk Assessment**

This item is for information only and makes no operational recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	30 March 2010	

List of Background Papers		
Name of document	Date	Where available for inspection
BSI Whistleblowing Arrangements Code of Practice	2008	All background papers or copies can be obtained from Savile Sykes, Head of Internal Audit on 658413 or email <a href="mailto:saviles@fylde.gov.uk">saviles@fylde.gov.uk</a>
Money Laundering Regulations 2007 Act	2007	

### Attached documents

Appendix 1 – Anti-fraud and Anti Corruption Policy

Appendix 2 – Anti-fraud and Corruption Strategy

Appendix 3 – Whistleblowing Policy

Appendix 4 – Anti Money Laundering Policy

Appendix 5 – Sanction and Prosecution Policy

IMPLICATIONS	
Finance	The policies seek to minimise the financial impact of fraud and corruption and support the public stewardship of funds.
Legal	The policies assist in good governance and the probity of Council actions and decision-making. Where appropriate the policies will ensure the Council is compliant with prevailing legislation and regulations.
Community Safety	None arising directly from the report
Human Rights and Equalities	None arising directly from the report
Sustainability and Environmental Impact	None arising directly from the report
Health & Safety and Risk Management	The policies seek to address the risk of the Council being a victim to fraud and corruption. If controls have proved ineffective or breached deliberately, the Whistleblowing Policy supports the reporting of malpractice.

# ANTI-FRAUD & CORRUPTION POLICY

## Policy Statement

*The Council will not tolerate fraud, corruption or abuse of position for personal gain, and is committed to securing effective methods of prevention, detection and investigation. The Council will promote an environment that actively encourages the highest principles of honesty and integrity.*

## 1 Introduction

1.1 The Council is determined to maintain its reputation as an Authority which will not tolerate fraud, corruption or abuse of position for personal gain, wherever it may be found in any area of Council activity.

1.2 The purpose of this Policy is to set out for both elected members and employees the main principles for countering fraud and corruption.

1.3 The Policy statement includes:

- ♦ definition of fraud and corruption;
- ♦ scope of the policy;
- ♦ culture and stance against fraud and corruption;
- ♦ standards of behaviour;
- ♦ how to raise concerns and report malpractice;
- ♦ corporate framework;
- ♦ responsible officer.

1.4 Both elected members and officers should play a key role in counter-fraud initiatives. This includes providing a corporate framework within which counter-fraud arrangements will flourish, and the promotion of an anti-fraud culture across the whole of the Council. This should provide a sound defence against internal and external abuse of public funds.

1.5 The Anti-Fraud & Corruption Policy is supported by a complementary Anti-fraud & Corruption Strategy designed to bring into practical effect the provisions of this policy. The Strategy is a comprehensive series of inter-related procedures devised to deter, frustrate, or take effective action against any attempted fraudulent or corrupt acts affecting the Council.

1.6 The Director of Governance and Partnerships has been designated to champion the Anti-fraud and Corruption Policy and is tasked with securing strong political and executive support for work to counter fraud and corruption and monitoring the effectiveness of the Council's arrangements.

## 2 Definitions

2.1 The relevant definitions are as follows;

- ♦ Fraud is the “intentional distortion of financial statements or other records by persons internal or external to the organisation, which is carried out to conceal the

misappropriation of assets or otherwise for gain". The term is used to describe such acts as deception, forgery, extortion, theft, embezzlement and misappropriation.

- ♦ Corruption is the "offering, giving, soliciting or acceptance of an inducement or reward which may improperly influence the action of any person". The term is generally used to describe bribery or any activity that may be perceived as creating a conflict of interests.

2.2 This policy also covers the failure to disclose an interest in order to gain financial or other pecuniary gain.

### **3 Scope**

3.1 This policy is directed against fraud and corruption whether it is attempted or perpetrated against the Council from outside or from within its own structure or workforce.

3.2 The policy applies to elected members, co-opted members of committees, and all employees of the Council, whether full time, part time, permanent, temporary or casual. It also applies to individuals working for the Council on a voluntary or unpaid basis.

3.3 The Council expects that all individuals and organisations it deals with, including suppliers, contractors and service providers, will act with integrity and without thought or actions involving fraud or corruption. Wherever relevant, the Council will include appropriate clauses in its contracts about the consequences of fraudulent and corrupt acts. Evidence of such acts will most likely to lead to a termination of the particular contract and may lead to prosecution.

3.4 Although this policy specifically relates to fraud and corruption, it equally applies to all financial malpractice. This includes a wide range of irregularities and criminal acts, including theft of property; false accounting; obtaining pecuniary advantage by deception; bribery; computer abuse and computer crime.

3.5 The Anti-Fraud & Corruption Policy is commended to the Council's partner organisations where comprehensive arrangements are not in place, with the expectation that it will be applied either wholly or as the basis for their own local version.

### **4 Culture and Stance against Fraud & Corruption**

4.1 The culture of the Council is one of openness, probity and accountability in all its affairs. It is determined to maintain a resolute stance in opposition to fraud and corruption. This determination applies whether fraud is attempted against the Council from outside or from within its own workforce

4.2 Both members and employees at all levels play an important role in creating and sustaining this culture. The Council expects that they will lead by example in ensuring adherence to legal requirements, standing orders, contract procedure rules, financial regulations, codes of conduct, procedures and practices.



4.3 As part of this culture the Council positively encourages members, employees and those outside the authority who are providing, using or paying for public services, to raise concerns regarding fraud and corruption. The Council will provide clear routes by which concerns can be raised.

4.4 The Council also has in place two Committees whose monitoring roles are relevant:

- ♦ The Standards Committee, which is responsible for monitoring the high standards of conduct required from members of the borough.
- ♦ The Audit Committee, which ensures that adequate arrangements are established and operating to deal with situations of suspected or actual wrongdoing, fraud and corruption.

4.5 Senior management will deal firmly with those who defraud the Council, or who are corrupt. The Council, including members and senior management, will be robust in dealing with financial malpractice.

4.6 When fraud or corruption has occurred because of a breakdown in the authority's systems or procedures, managers will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

4.7 The Council acknowledges and welcomes the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, inspection bodies, the Local Government Ombudsman and HM Revenue & Customs. The importance of these bodies in highlighting any areas where improvements can be made is recognised.

## **5 Links to Corporate Vision and Objectives**

5.1 The Council has adopted a Corporate Plan that sets out the Council's Vision and identifies four key corporate objectives required to achieve it. The corporate vision is to work with partners to provide and maintain a welcoming, inclusive place with flourishing communities through four corporate objectives:

- ♦ The promotion and enhancement of the natural and built environment
- ♦ The promotion of cohesive communities
- ♦ The promotion of a thriving economy
- ♦ Meeting the expectations of our customers

5.2 The Council's Vision is reliant on a robust anti-fraud and corruption policy:

- ♦ Partnership working requires a clear and consistent counter fraud commitment from all partners to secure value for money and mutual assurance

5.3 All four of the corporate objectives are partly dependent on strong anti-fraud and corruption arrangements:

- ♦ Enhancement of the natural and built environment requires public confidence in the integrity and objectivity of the Council's planning and tendering arrangements
- ♦ Clear community leadership demands a robust anti-fraud culture so that the Council's reputation is protected and public confidence is maintained

- ♦ Work to promote the local economy must be seen to be unbiased and impartial in its application across the business community taking account of all sectors
- ♦ Meeting the expectations of our customers requires that there are strong arrangements in place to combat fraud and corruption.

## 6 Standards of Behaviour

6.1 The Council supports the seven principles of public life proposed by the Nolan Committee on Standards in Public Life. These principles are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

6.2 The Council expects holders of public office and its employees to:

- uphold the law, and act on all occasions to preserve public confidence in the Council;
- assist the Council to act as far as possible in the interests of the whole community it serves;
- take decisions solely in pursuit of the Council's official functions and in the public interest, disregarding private and personal interest;
- avoid any financial or other obligation to outside persons or organisations that might influence them or be perceived to influence them in carrying out their duties;
- record all gifts and hospitality received in connection with Council business, and to refuse gifts and hospitality that might appear to influence them, or where to accept might bring discredit upon the Council;
- make public appointments, award contracts, and confer other benefits on merit in accordance with Council policy and guidelines;
- be as open as possible about all the decisions and actions they take;
- be accountable to the public and accept reasonable public scrutiny, only restricting information when the wider public interest *clearly* demands;
- ensure that confidential material, including information about individuals, is handled responsibly and in accordance with Council policy and guidelines;
- use and apply Council resources prudently and in accordance with the law
- declare any private interest that is relevant or may be perceived as relevant to their public duties;
- take positive steps to resolve any possible conflicts of interest in a way that maintains public confidence;
- treat members and employees in a way that engenders mutual respect at all times;
- promote these standards of behaviour by leadership and example.

## 7 Raising Concerns

7.1 Members and employees are an important element in the Council's stance against fraud and corruption, and they are positively encouraged and expected to raise any concerns that they may have on these issues where they are associated with the Council's activity.

7.2 Members raising concerns should contact the Chief Executive, the Monitoring Officer or the Section 151 Officer.

7.3 Employees will often be the first to see or suspect something, which may be fraudulent or corrupt. They should normally raise concerns through their immediate manager, however it is recognised that they may feel inhibited in certain circumstances. In this case, employees should contact the Chief Executive, the Monitoring Officer, Section 151 Officer, or alternatively Internal Audit.

7.4 The Council's 'Whistleblowing Policy' gives further details on how to raise concerns in confidence. It also details the support and safeguards that are available to those who raise concerns.

7.5 There is, of course, a need to ensure that any investigation process is not misused, therefore, any internal abuse, such as raising malicious or vexatious allegations, may be dealt with as a disciplinary matter.

7.6 The Council encourages members of the public who suspect fraud, corruption or other financial malpractice to contact the Chief Executive or Internal Audit in the first instance.

7.7 The Council accepts that those people who do raise concerns are entitled to be assured that the matter has been properly addressed. Therefore, subject to legal constraints, they will receive information about the outcome of any investigation.

7.8 The Council's Anti-Fraud and Corruption Strategy ensures that a consistent approach is applied to any investigation following discovery or notification of an irregularity. This strategy sets out the Council's procedures for undertaking investigations in relation to fraud, corruption and financial malpractice.

## **8 Corporate Framework**

8.1 This Policy forms an important part of the Council's approach to dealing with fraud and corruption by setting the scope, culture and standards of the Council, as part of the corporate framework.

8.2 The corporate framework requires a whole range of high level component parts if it is to contribute to the Council having an effective counter-fraud strategy. A range of documents have been issued to reinforce this, including:

- ♦ Anti-Fraud & Corruption Policy
- ♦ Anti-Fraud & Corruption Strategy
- ♦ Whistleblowing Policy
- ♦ Sanction & Prosecution Policy
- ♦ Money Laundering Policy
- ♦ Contract Procedures and Financial Regulations
- ♦ Codes of Conduct for members and employees
- ♦ Disciplinary Procedure
- ♦ Recruitment Policy

8.3 Within the overall corporate framework there are a number of key people and measures that can help in the prevention of fraud and corruption, and these are:

- Members of the Council
- Employees of the Council
- Managers and Supervisors
- Internal Auditors

- External Auditors
- Benefit Review Service
- Money Laundering Reporting Officer
- Sound internal control systems, procedures and reliable records
- Effective induction and training
- Combining with others to prevent and combat fraud

8.4 The Council's policies, systems, instructions and guidelines, together with the roles and responsibilities of key personnel, are designed to limit acts of fraud and corruption. All such elements in the corporate framework will be kept under review to ensure that they keep pace with developments in anti-fraud and corruption techniques and advice.

## **9 Responsible Officer**

9.1 Section 151 of the Local Government Act 1972 and Section 4 of The Accounts and Audit Regulations 1996, designate the 'Responsible Financial Officer' as liable for ensuring that the Council has control systems and measures in place to enable the prevention and detection of inaccuracies and fraud. This Policy helps towards discharging part of this responsibility.

9.2 Accordingly the Section 151 officer will take overall responsibility for the maintenance and operation of this Policy.

9.3 The Council considers that the policy is fundamental to maintaining public confidence in the administration of its financial affairs. To this end the Anti-fraud and Corruption Policy will be continuously monitored and, if necessary, updated on an annual basis.

# **ANTI-FRAUD & CORRUPTION STRATEGY**

## **GENERAL PROVISIONS**

### **1. CORPORATE GOVERNANCE**

1.1 The Council has, and is continuing to develop a corporate governance framework that seeks to manage risk in order to minimise the incidence of fraud, corruption, and other adverse events within the Authority. Much of the corporate governance framework is actually incorporated within the Constitution of the Council and includes all the following elements:

- ♦ Audit Committee
- ♦ Standards Committee
- ♦ Scrutiny Committees
- ♦ Regulatory Committees
- ♦ Standing Orders
- ♦ Financial Regulations
- ♦ Contract Procedure Rules
- ♦ Access to Information Procedure Rules
- ♦ Budget & Policy Framework Procedure Rules
- ♦ Executive Procedure Rules
- ♦ Members & Officers Codes of Conduct
- ♦ Protocol on Member / Officer Relations
- ♦ Members Allowances Scheme

1.2 In addition to the above constitutional provisions, the Council has the following policies and procedures in place:

- ♦ Risk Management Framework
- ♦ Disciplinary Procedure
- ♦ Monitoring Officer Arrangements
- ♦ Registers of Interests
- ♦ Registers of Hospitality, Gifts & Entertainment
- ♦ IT Security Policy
- ♦ Local Code of Conduct in Planning Matters
- ♦ Anti-fraud and Corruption Policy
- ♦ Housing Benefit and Council Tax Benefit Sanction & Prosecution Policy
- ♦ Money Laundering Policy
- ♦ Whistleblowing Policy
- ♦ Data Protection & Freedom of Information Policies and Procedures

1.3 1.6 The Director of Governance and Partnerships has been designated to champion the Anti-fraud and Corruption Strategy and is tasked with securing strong political and executive support for work to counter fraud and corruption and monitoring the effectiveness of the Council's arrangements.

### **2. CONTENTS OF THE STRATEGY**

2.1 Inevitably however, breaches of the law, policy or formal procedure do occur. This Strategy has therefore been produced to establish the Council's determination

to ensure that serious concerns are properly raised and addressed in full compliance with the Public Interest Disclosure Act 1998.

2.2 The Strategy establishes the Council's specific approach towards the prevention, detection, notification and investigation of fraud and corruption and summarises the responsibilities of members, managers and officers in this respect.

2.3 The Strategy covers all allegations of fraud or corruption committed against the Council whether they are perpetrated by members, officers, agency staff, partners, contractors or the general public (benefit fraud)

2.4 The Strategy gives specific advice and guidance to officers of the Council who undertake or have an interest in investigations. It aims to clarify the roles and responsibilities of all interested parties, including the Chief Executive, Monitoring Officer, Section 151 Officer, Directors, Head of Human Resources and external agencies including the Police. In particular, the Strategy seeks to direct and co-ordinate investigations under the direction of:

- ♦ Service Directors (in accordance with Financial Regulations)
- ♦ Head of Human Resources (under the Council's Disciplinary Procedure)
- ♦ Monitoring Officer (in accordance with the Local Government Act 2000).

### **3. OTHER CORPORATE PROCEDURES**

3.1 This Strategy supplements the Council's Whistle Blowing Policy, which encourages officers, members and contractors to disclose any matter which gives them cause for concern and provides guidance on how such matters should be reported. The Strategy is also intended to supplement the Council's Financial Regulations and Disciplinary Procedure, each of which already provide a degree of advice on the conduct of investigations

3.2 Financial Regulations state that (Service Directors) shall notify the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting the Service Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

3.3 Disciplinary Procedure. Whenever an alleged irregularity occurs, this Strategy should always be read in conjunction with the Council's Disciplinary Procedure.

3.4 In general, irregularities that do not involve fraud, a breach of Financial Regulations or do not have a direct financial basis will not normally be investigated with assistance from the Internal Audit Team (for example breaches of the Council's policies on leave and sickness absence). These will normally be pursued directly by the respective Service Director under the Disciplinary Procedure.

3.5 Where an irregularity does involve fraud or has a financial basis Internal Audit will normally support the investigation. The Internal Audit investigative work and report is used as the basis of (or in support of) the management / disciplinary case, which remains the responsibility of the Service Director under the arrangements laid down in the Disciplinary Procedure.

### **4. LEGAL COMPLIANCE**

4.1 The drafting of this Strategy also reflects the need to ensure conformity with the following legal developments:

4.2 Regulation of Investigatory Powers Act (RIPA) 2000. Any investigations that involve directed surveillance or the use of covert intelligence sources must take account of RIPA. RIPA was introduced in parallel with the Human Rights Act, which (amongst other things) sought to ensure rights to privacy and a fair trial. RIPA makes lawful certain actions by public authorities provided that they are properly authorised. In particular, RIPA requires that in each case authority must be given by prescribed persons using designated forms. The potential use of directed surveillance and covert intelligence sources is not restricted to Internal Audit investigations but extends to benefit fraud investigations, noise nuisance, planning, anti social behaviour and other areas.

4.3 Local Government Act 2000 and the Standards Committee (England) Regulations 2008. Under this legislation any allegation made against members of the Council should be referred to Standards Committee for consideration and ultimately determination. Any such allegations that are brought to the attention of the Chief Executive, Section 151 Officer, Service Director or Head of Human Resources should be referred directly to the Monitoring Officer.

## **FRAUD PREVENTION**

### **5. THE ROLE OF MEMBERS**

5.1 As elected representatives, all Members of the Council have a duty to the citizens of Fylde to protect the assets of the Council from all forms of abuse. This is done through the formal adoption of the Anti-Fraud & Corruption Policy and by compliance with the national Code of Conduct for Members.

5.2 In addition the Accounts and Audit Regulations 2003 require every local authority to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices". Members have a duty to provide sufficient resources to ensure that the system of internal audit is "adequate" and "effective".

### **6. THE ROLE OF THE STATUTORY OFFICERS**

6.1 The Council's Monitoring Officer has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council's actions do not give rise to illegality or maladministration. The Monitoring Officer also encourages the promotion and maintenance of high standards of conduct within the council, particularly through the provision of support to the Standards Committee.

6.2 Section 151 of the Local Government Act 1972 places a statutory responsibility on the Council to appoint one of its officers as 'Section 151 Officer' to ensure the proper administration of the Council's financial affairs. To this end, the Section 151 Officer will advise all members and staff regarding financial propriety, probity and budgetary issues. The Section 151 Officer role is very much supported by the work undertaken by Internal Audit.

## **7. THE ROLE OF MANAGEMENT**

7.1 Management at all levels are responsible for ensuring that their staff are aware of the authority's Constitution, Financial Regulations, Standing Orders, Codes of Conduct (including the related policies, protocols, codes and procedures) and that the requirements of each are being met in their everyday business activities. They are also responsible for ensuring that appropriate procedures are in place to safeguard the resources for which they are responsible.

7.2 Managers are also expected to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities and adhere to the Whistleblowing Policy when applicable.

7.3 It is vital that managers are alert to potential problems in their work areas and that adequate and effective safeguards are in place to prevent financial irregularities. However, Service Directors and their managers should also satisfy themselves that checks are in place at the appropriate levels, so that in the event of a breach any irregularity would be picked up promptly, so minimising any loss to the authority. Internal Audit can provide advice and assistance in this area.

7.4 Special arrangements may apply where employees are responsible for cash handling or are in charge of systems that generate payments. Service Directors and their managers should ensure that adequate and appropriate training is provided for staff and that supervisory checks are carried out from time to time to ensure that proper procedures are being followed.

7.5 The references and qualifications of all proposed new employees should be thoroughly checked prior to a position being offered to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff.

## **8. THE ROLE OF EMPLOYEES**

8.1 Employees are responsible for ensuring that they follow the instructions given to them by management particularly in relation to the safekeeping of the assets of the authority. They may be required to disclose information about their personal circumstances in accordance with the authority's Constitution.

8.2 Employees are expected to be alert to the possibility that fraud and corruption may exist in the workplace and are under a duty to share with management any concerns they may have. Employees are protected under the Whistleblowing Policy, where required, regarding any concerns they raise in good faith.

## **9. THE ROLE OF INTERNAL AUDIT**

9.1 The Internal Audit Team plays a preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud. The Team assists in the investigation of cases of suspected financial irregularity and carries out fraud searching exercises to establish whether irregularities have occurred and to recommend changes in procedures to prevent further losses to the authority. The Internal Audit Team provides advice and assistance to all Service Directors.



9.2 The responsibility for the detection of financial irregularities rests solely and exclusively with management. Internal Audit will advise and assist management in fulfilling their responsibility for preventing irregularities and will investigate cases where irregularities are thought to have taken place. There may be circumstances of course, where auditors detect fraud as a result of the work that they are undertaking or as a result of specific fraud searching exercises.

## **10. THE ROLE OF THE BENEFIT FRAUD SERVICE**

10.1 The Benefit fraud Service plays a major role in the deterrence of benefit fraud, for example through the application of the Council's Housing Benefit and Council Tax Benefit Sanction & Prosecution Policy.

10.2 A further objective is the detection of fraud, by investigating allegations of Housing Benefit and Council Tax Benefit fraud. Both pro-active (specific fraud searching exercises) and reactive investigations (upon receipt of a referral) are carried out.

## **11. THE ROLE OF EXTERNAL AUDIT**

11.1 Independent external audit is an essential safeguard of the stewardship of public money. This role is delivered through carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern.

11.2 External auditors are always alert to the possibility of fraud and irregularity and will act without due delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements in respect of preventing and detecting fraud and irregularities and arrangements designed to limit the opportunity for corrupt practices.

## **12. THE ROLE OF RISK MANAGEMENT**

12.1 A methodology for identifying, assessing and managing fraud risk within the Council has been developed as part of the Risk Management process. This methodology is applied to both the strategic risks of the Council and as part of the routine service and project planning processes.

## **13. ROLE OF PARTNERS, CONTRACTORS AND SUPPLIERS**

13.1 All organisations associated with the Council are expected to take a proactive role in ensuring the occurrence of fraud and corruption is minimised regarding any dealings with the Council. The standards expected are often set out through legal agreements, which specify the requirements of the Council, when setting up partnerships and other contractual arrangements.

13.2 In the interests of good working relationships and continued dealings with the Council, all associated organisations have a duty to be vigilant regarding the possibility of fraud, irregularity and corruption with a view to reporting any suspicions

in accordance with the principles stemming from the Council's own policies, procedures and standards.

13.3 The Council's Anti-Fraud & Corruption Policy is commended to the Council's partner organisations where comprehensive arrangements are not in place, with the expectation that it will be applied either wholly or as the basis for their own local version.

## **14. ROLE OF THE PUBLIC**

14.1 Whilst this strategy is primarily aimed at those within or directly associated with the Council, the public has a role to play in that they should be honest in their dealings with the Council and inform appropriate members and/or officers of the Council if they feel that fraud and / or corruption may have occurred.

## **15. DETERRENCE**

15.1 Fraud and corruption are serious offences against the authority and employees may face disciplinary action and / or prosecution, benefit claimants may be subject to a sanction or prosecution, if there is sufficient evidence that they have been involved in these activities. This is designed to deter others from committing offences against the authority.

15.2 There are also other specific ways in which the Council seeks to deter potential wrongdoers from committing or attempting fraudulent or corrupt acts. These include:

- ♦ Publicising that the Council is firmly against fraud and corruption at appropriate opportunities and will take stern action against perpetrators (e.g. dismissal of employees, prosecution of offenders, termination of contracts etc).
- ♦ Acting robustly and decisively when fraud and / or corruption are suspected and, if proven, being committed to viewing cases seriously and taking action as appropriate bearing in mind all relevant factors of each case.
- ♦ Taking action to identify accurately the nature and scale of losses incurred following investigations of fraud and corruption.
- ♦ Always seeking to maximise recoveries for the Council, through agreement, repayment, court action, penalties, insurance etc.
- ♦ Actively monitoring proceedings for the recovery of loss.
- ♦ Referring appropriate investigative cases to the Police if there is sufficient evidence that criminal offences above a nominal level are likely to have occurred.
- ♦ Where appropriate, publicising the results stemming from investigations into suspected cases of fraud and corruption as a deterrent to potential fraudsters.

## **16. NATIONAL FRAUD INITIATIVE (NFI)**

16.1 The National Fraud Initiative (NFI) exercise is organised by the Audit Commission and is usually carried out every 2 years. The Council actively takes part in the initiative as it forms part of a continuous attempt to identify fraud, particularly fraudulent benefit claims. NFI is about matching information contained within the Council's computer systems against information contained within other organisations' systems, for example, payroll, student awards and pensions, the main aims being to identify fraudulent benefit claims, discounts and concessions, and to detect cases of sub-letting or dual tenancies.

16.2 At Fylde, NFI is co-ordinated by the Internal Audit Team working principally with the Benefit Fraud Service and the Revenues and Benefit Service. The key tasks are:

- ♦ ensuring that data is submitted to the Audit Commission on time in the required format;
- ♦ performing an initial review of the results;
- ♦ liaising with other participating organisations;
- ♦ passing any suspected fraudulent cases to the appropriate officers for investigation.

## **17. HOUSING BENEFIT MATCHING SERVICE (HBMS)**

17.1 This data matching exercise is organised by DWP and is carried out monthly. The Council actively takes part in the initiative as it forms part of a continuous attempt to identify benefit fraud. HBMS involves matching information contained within the Council's Benefits system against data of other benefits.

## **18. NATIONAL ANTI-FRAUD NETWORK (NAFN)**

18.1 Membership of the National Anti-Fraud Network (NAFN) is available to all local authorities in England & Wales and exists to provide individual councils with a variety of fraud intelligence and information sharing services. NAFN also has links with a variety of external agencies that supply information in order to prevent and detect fraud. These include the Credit Industry Fraud Avoidance System (CIFAS), the Police, Immigration Service, Contributions Agency, the University & Colleges Admissions Service (UCAS) and some utility companies.

18.2 NAFN is organised into 5 regional areas, Fylde belonging to the Northern Region. The Council's key contact for the NAFN is the Benefits Fraud Service, due to the nature of the investigations it undertakes.

## **19. NATIONAL BENEFIT FRAUD HOTLINE**

19.1 The National Benefit Fraud Hotline 0800 328 6340 is publicised extensively, including through the Council web site to encourage members of the public to report potential fraudsters, anonymously or otherwise.

## **20. DEFINING SUCCESS**

20.1 The focus of the Anti-fraud & Corruption Strategy must be concentrated on the clear arrangements described above to counter the incidence of fraud and corruption. Success in fraud deterrence, prevention and detection are based upon the anti-fraud framework defined in the CIPFA Fraud Standards:

- ♦ Adopting the right strategy
- ♦ Accurately identifying the risks
- ♦ Creating and maintaining a strong structure
- ♦ Taking action to tackle the problem

Key performance measures have been developed as part of this strategy and are attached as Appendix 1.

## **REPORTING ALLEGATIONS AND WHISTLEBLOWING**

### **21. NORMAL REPORTING LINES**

21.1 Irregularities regarding the general public, officers, or members may come to light in a variety of circumstances. These include:

- ♦ Data-matching (National Fraud Initiative)
- ♦ The results of routine Internal Audit work;
- ♦ Complaints by members of the public or other third parties (e.g. DWP);
- ♦ Whistle-blowing by members of staff;
- ♦ Normal benefit assessment process;
- ♦ Specific fraud searching exercises by both the Internal Audit Team and Benefit Fraud Service;
- ♦ Benefit fraud hotline.

21.2 Any member of staff who discovers circumstances that may involve an irregularity should normally report the matter to their line manager. Thereafter, line managers should immediately inform their Service Director.

21.3 If the suspected irregularity is in respect of financial transactions or in any matter affecting property, cash, stores, remuneration, allowances, purchases or contracts, Service Directors should report the matter to the Head of Internal Audit (in accordance with the Council's Financial Regulations). The Head of Internal Audit will in turn inform the Section 151 Officer who should advise the Chief Executive of all significant cases.

21.4 If the suspected irregularity is in respect of benefit fraud by a member of the public the matter should be reported to the Benefit Fraud Service. If it relates to an Officer it should be reported to the Head of Internal Audit, but if it involves a Member the matter should be passed to the Monitoring Officer.

21.5 In other instances Service Directors should consult the Head of Human Resources as to whether the Disciplinary Procedure should be invoked.

21.6 Service Directors are responsible for managing the discipline of employees in their respective directorates and in most circumstances they will act as the disciplining officer for the purposes of the Disciplinary Procedure (although this may be delegated to other senior officers). Service Directors should nominate another officer to carry out an investigation – the “Investigating Officer”. The Investigating Officer will usually be a manager within the relevant directorate with the power to suspend the suspected employee/s if necessary.

21.7 In order to ensure independence in this process it may be necessary for the Service Director to appoint an Investigating Officer from another directorate to act as the Investigating Officer. The Council will arrange training for all those who may be required to perform either of these roles.

21.8 The Investigating Officer will be advised by the Internal Audit Team. This may involve Internal Audit undertaking much of the investigation work and providing the Investigating Officer with evidence for a formal report.

21.9 In all cases, no one having any part to play in reaching a decision about any matter raised through the reported suspicion will take any part in the conduct of the investigation.

## **22. ALLEGATIONS AGAINST SENIOR OFFICERS AND MEMBERS**

22.1 It may become necessary to investigate allegations made against senior officers or members. In these cases, if the alleged irregularity involves:

- ♦ A line manager, the responsible Service Director should be notified directly.
- ♦ A Service Director, the Chief Executive should be notified directly.
- ♦ The Chief Executive, the incident should be reported in the first instance to the Section 151 Officer, who should inform the Leader of the Council.
- ♦ An elected member, the incident should be reported to the Monitoring Officer who should in turn inform the Chief Executive and Leader of the Council. The Monitoring Officer should then inform the Chair of the Standards Committee.
- ♦ The Leader of the Council, the Monitoring Officer should inform the Chief Executive and the Chair of the Standards Committee directly.

22.2 The officers designated below shall perform the functions of disciplining officer and Investigating Officer in the cases of alleged irregularities involving line managers or Service Directors.

<b>Officer Suspected</b>	<b>Disciplining Officer</b>	<b>Investigating Officer</b>
Line Manager	Service Director of the service concerned	Service Director for another service
Service Director	Chief Executive	Deputy Chief Executive

22.3 In respect of alleged irregularities involving the Chief Executive, the allegation shall be considered by an independent person and then in accordance with his/her terms and conditions of employment.

22.4 In respect of alleged irregularities involving an elected member, including the Leader of the Council, the matter shall be dealt with in accordance with the procedures for the time being specified by legislation or official guidance.

## **INTERNAL INVESTIGATIONS PROCEDURE**

### **23. THE PROCEDURE IN OUTLINE**

23.1 The Council's Internal Investigations Procedure largely covers investigations into officers and members of the authority. It is however acknowledged that various forms of investigation are undertaken in other areas of Council business, for example housing and council tax benefits, health & safety, planning, environmental services, and corporate complaints. The procedure is designed to support and supplement the separate arrangements that already exist in these areas.

## 24. INVESTIGATION – OFFICERS

24.1 Investigations are necessary in order to:

- ♦ Find out the facts before taking any form of action;
- ♦ Apply appropriate sanctions;
- ♦ Eliminate innocent people from unjustified suspicion;
- ♦ Improve systems, procedures and controls;
- ♦ Recover losses;
- ♦ Prevent and deter.

24.2 The first stage of any potential investigation is to establish whether the matter under consideration actually constitutes an irregularity (and if so who should investigate). Any irregularity that involves the use of deception to obtain an unjust or illegal financial advantage may be classed as a fraud.

24.3 Irregularities fall within the following broad categories:

- ♦ **Theft** – the dishonest taking of property belonging to another, with the intention of permanently depriving the owner of its possession. This may also involve the use of deception.
- ♦ **Fraud** – the Fraud Act 2006 introduced a general offence of “fraud” which may be committed in three ways: by making a false representation, by failing to disclose information or by an abuse of position. In each case it is not necessary to prove that an individual has actually gained from their action simply that there was an intention to gain from their behaviour, cause loss or expose the Council to the risk of loss.
- ♦ **Bribery and corruption** – involves the offering and acceptance of a reward, for performing an act, or for failing to perform an act, which leads to gain for the person offering the inducement. This could occur in connection with contracts, consultancy engagements, purchasing and appointment of staff.
- ♦ **False accounting** – falsification, fraudulent amendment or destruction of documents in order to distort the true nature of a transaction.
- ♦ Failure to observe or breaches of:
  - **external regulations** for example Health and Safety Regulations
  - **Constitution of the Council** including Standing Orders, Financial Regulations and Codes of Conduct
  - **Council policies and procedures** especially personnel policies and procedures relating to recruitment & selection, annual leave and sickness absence
  - **directorate procedures**
  - **management instructions**

24.4 Whilst the potential for irregularity is present across the full spectrum of activity in any local authority, certain areas are, by their very nature accepted as being of higher risk than others. These areas include:

- ♦ Cash Handling;

- ♦ Tendering & Award of Contracts;
- ♦ Appointing External Consultants;
- ♦ Appointing Staff;
- ♦ The External, Pecuniary Interests of Members / Officers;
- ♦ Gifts & Hospitality;
- ♦ Claims for Allowances and Expenses;
- ♦ Awarding Licences / Planning Consent / Land Valuations, etc;
- ♦ Purchasing.

24.5 The following paragraphs explain the procedures to be followed in Internal Audit-assisted investigations, however, the principles apply equally to other investigations, including those under the direction of the Head of Human Resources / Disciplinary Procedure.

24.6 Where allegations are reported to the Head of Internal Audit, the Internal Audit Team will undertake a brief initial assessment of the circumstances and will recommend whether to:

- ♦ Take no further action;
- ♦ Refer the matter to the Service Director;
- ♦ Consult with the Head of Human Resources;
- ♦ Initiate a Preliminary Investigation;
- ♦ Other (e.g. some combination of the above).

24.7 If the initial assessment highlights matters of a minor nature, Service Directors may be asked to investigate them within their own directorates with ongoing advice and assistance from Internal Audit as necessary. In these instances, Internal Audit should be kept advised as to progress.

24.8 If the initial assessment highlights more serious matters that Internal Audit considers should not be dealt with exclusively by the Service Director, Internal Audit will support the designated Investigating Officer in the conduct of the investigation as necessary.

24.9 The investigation will normally be carried out by a team comprised of the Investigating Officer together with one or more Internal Auditors, and where appropriate a member of Human Resources or other relevant officers. In any event the Head of Human Resources would normally be consulted regarding potential disciplinary proceedings.

24.10 The appropriate Service Director would normally be informed of an investigation unless the allegation either directly involved or may implicate the said Service Director, or where the Service Director might be a material witness.

24.11 The preliminary investigation must be carried out with the utmost confidentiality and as much relevant information as possible should be gathered before alerting or approaching suspected parties.

24.12 The Investigating Officer should not necessarily restrict their enquiries solely to the specific allegation(s) made. The premise to be followed is that if a person is alleged to have committed an offence in one sphere of their activities, they may well have committed offences in any other area of their responsibilities where the opportunity arose. Therefore the full extent of possible irregularity should be determined.

## **25. INVESTIGATION – MEMBERS**

25.1 The procedure shall be that specified for the time being under prevailing legislation and in any regulations made under the Local Government Act 2000.

## **26. RECORD KEEPING / EVIDENCE / CONFIDENTIALITY**

26.1 When the Head of Internal Audit is notified of a suspected fraud, an entry will be made into the Special Investigation Register. All entries into the Register will be sequentially referenced, so there is a continuous record of all entries. The Register will only be available to the:

- ♦ Chief Executive;
- ♦ Monitoring Officer;
- ♦ Section 151 Officer;
- ♦ Internal Audit;
- ♦ External Auditor.

26.2 When the preliminary investigation work is performed a file should be opened and updated on an ongoing basis as the matter is progressed, incorporating the details / results of the enquiries carried out, including all meetings, interviews and telephone discussions. The file should also contain any records, papers, workings or other forms of documentary evidence that may later form the basis of any report that is deemed necessary.

26.3 All files or other evidence relating to the investigation should be removed to a secure place and in such a way as to ensure confidentiality. On occasions, it may be appropriate to remove documents, etc. in a way that does not raise the suspicions of the person under investigation if the alleged perpetrator is to be allowed to continue working. In any event, documentary evidence should be collected as soon as possible, since the onset of an investigation may result in its destruction.

26.4 Great care must be taken to record detailed, complete and accurate information of the matters reported and results of the investigation. Wherever possible, the original (or prime) documents should be obtained as evidence in preference to copies.

26.5 Information held on a computer system may be used as evidence in any subsequent disciplinary or criminal proceedings and should be extracted in printout form, including as part of the printed data, the date and time of its production. The computer printout should be endorsed by a person who was, at the time of its production, responsible for the operation of the computer installation from which it was generated.

26.6 Extreme caution must be taken where it is necessary to obtain evidence stored on a PC. No attempt should be made to turn the PC on as this will automatically overwrite chronological and other data files that may be vital in proving the case. Advice must be sought from ICT staff.

26.7 Full security of investigatory records (both manual and computerised) must be maintained at all times. The Chief Executive may authorise disclosure of investigation reports and associated documentation to third parties solely for the purposes of



obtaining legal, employment, medical, financial, technical, or other professional advice whatsoever in relation to the case.

26.8 In general terms, all those engaged in investigation work should maintain secrecy and confidentiality throughout. This is because:

- ♦ Allegations / suspicions of fraud may turn out to be unfounded and if secrecy and confidentiality have been maintained this will prevent considerable embarrassment to both the accused officer and the authority.
- ♦ Investigations are of immediate interest to employees, members of the public and the media. Careless talk can generate rumours which quickly obtain wide circulation
- ♦ Where fraud had occurred, breaches of confidentiality could alert the suspect and result in them having an opportunity to cover their tracks or destroy material evidence or otherwise frustrate the investigative process.

## **27. POLICE INVOLVEMENT**

27.1 The police are expert at investigating fraud and referring cases to the Crown Prosecution Service for criminal proceedings. They can also advise on the likely outcome of any intended prosecution. The relevant Service Director will have sole responsibility for requesting police involvement after consultation with the Chief Executive.

27.2 Any such request for police involvement will normally follow a report by the Investigating Officer to management indicating that there is a potential criminal case.

27.3 Where an irregularity is reported to the Police and the suspected perpetrator(s) are known, he/she/they should normally be suspended from duty in order to facilitate the forthcoming investigation.

27.4 If the Police decide that a formal investigation is necessary, the Investigating Team and all other employees will co-operate fully with any subsequent requests or recommendations. All contact with the police following their initial involvement will usually be through the Investigating Officer.

27.5 The Council will normally defer inquiries of their own into matters other than the protection of Council property, until the Police enquiries are complete. The Council will then review the matter in the light of the outcome of the Police enquiries.

27.6 The fact that a Police investigation has not resulted in prosecution should not necessarily prevent the internal investigation proceeding. It should be recognised that the standard of evidence required for a disciplinary offence is on the "balance of probabilities" and is less than that required for a criminal offence which has to be proved "beyond reasonable doubt".

## **28. SURVEILLANCE**

28.1 Any investigations that involve directed surveillance or the use of covert intelligence sources must take account of the Regulation of Investigatory Powers Act 2000 and Council procedures. The potential use of directed surveillance and covert intelligence sources is not restricted to Internal Audit investigations but extends to benefit fraud, noise nuisance, planning, anti social behaviour and other areas.

28.2 The key provisions of RIPA are:

- ♦ Surveillance must be appropriate for the advancement of the investigation.
- ♦ An application for authorisation for directed surveillance must be made in writing.
- ♦ Authorisation must be given in advance by prescribed persons, formally nominated by the authority for this purpose.
- ♦ Authorisations must be given in writing using designated forms and can only be given on one of the grounds specified in the Act as “for the purposes of preventing or detecting crime or of preventing disorder”.
- ♦ Where urgent authorisation is requested, it may be given orally by the authorised officer. A written record of the urgent authorisation must be made.
- ♦ Authorised officers have overall responsibility for the management of the investigation and are personally liable for the authorisations that they give.
- ♦ Applications should contain sufficient detail to enable the authorised officer(s) to make an objective assessment. The reasons for granting / not granting authorisation should be noted on the application.
- ♦ The authorised activity must be reasonable, proportionate and necessary.
- ♦ A central record must be maintained of ongoing and completed surveillance operations.
- ♦ Authorisations are valid for a period of 3 months only. Designated renewal forms must be completed / authorised if the surveillance is to continue. The authorising officer must question the validity of any surveillance lasting more than 3 months.
- ♦ Once surveillance ceases to be necessary, designated cancellation forms should be completed / authorised.

28.3 The Authority’s formally agreed list of prescribed persons is as follows:

- ♦ Chief Executive
- ♦ Service Directors (in connection with directorate activities)

28.4 The Monitoring Officer has an overall responsibility to oversee the operation of the system of giving authorisations. The Monitoring officer should also be consulted for advice whenever it is unclear whether RIPA applies to a given situation.

28.5 Copies of the forms issued by the above prescribed persons must be passed to the Monitoring Officer to be retained in a central control register as they may be required as evidence at some future date.

28.6 The following standard forms are in use within the authority:

- ♦ RIP1 – Application for Directed Surveillance
- ♦ RIP2 – Renewal Form
- ♦ RIP3 – Review Form
- ♦ RIP4 – Cancellation Form

28.7 Comprehensive information regarding the use of RIPA forms is contained in the Procedural Guidance Notes for staff available on the intranet

## **29. INVESTIGATORY INTERVIEWS – OFFICERS**

29.1 During the course of an investigation it is often necessary to question the employee under suspicion in order to establish facts. Under the Council’s Disciplinary

Procedure, such investigatory interviews are normally conducted by the nominated “Investigating Officer”, but s/he may be assisted by a member of the Internal Audit Team if Internal Audit is involved in the investigation.

29.2 All interviews must be arranged with prior notice under the terms of the Council’s Disciplinary Procedure and must be attended by:

- ♦ the Investigating Officer
- ♦ a representative of Internal Audit, normally a member of the Investigating Team
- ♦ a representative of Human Resources, sometimes a member of the Investigating Team

29.3 The employee may also be accompanied at the investigatory interview but a failure on the part of the interviewee to obtain suitable accompaniment after the standard period of notice does not provide sufficient reason for the interview not to proceed.

29.4 Interviews should be held in a private, neutral space at a reasonable time of day. Prior to the interview, the interviewing officers will obtain all relevant facts pertinent to the investigation and prepare a structured set of interview notes, setting out the information required and questions to be asked.

29.5 It should be made clear at the outset what the purpose of the investigatory interview is and that the interviewee’s representative may not answer questions on his / her behalf.

29.6 A record of the questions asked and detailed records of the responses received must be made. Recording equipment should be used to ensure accuracy and for the avoidance of disputes. Care should be taken in framing the questions and no action that could be construed as duress by the interviewee must take place.

29.7 If the alleged irregularity is of a criminal nature and there is the possibility of criminal charges being laid against an individual, suspect employees should not be interviewed before formal consideration of whether to request police involvement. In most cases, it is preferable for the Police to conduct such interviews.

29.8 If it is the intention to question a person suspected of committing a criminal offence, that person must be formally cautioned before further questioning takes place.

29.9 Interviewees should be provided with two copies of the interview transcript, which they should be asked to sign and date (including any suggested corrections or amendments) and return one copy to Investigating Officer.

### **30. INVESTIGATORY INTERVIEWS – MEMBERS**

30.1 These will be carried out in accordance with prevailing regulations (if any) made under the Local Government Act 2000. If no such regulations are in force, the matter will be dealt with in accordance with any provisions specified by the Standards Board for England.

### **31. INVESTIGATORY INTERVIEWS – BENEFIT CLAIMANTS**

31.1 If a benefit fraud allegation is substantiated and is potentially a prosecution case the interviews will be carried out formally under caution in accordance with PACE.

31.2 If a claimant is also in receipt of other benefits the DWP's Benefit Fraud Service will be contacted to invite them to be involved in the investigatory interview.

## **32. SUSPENSION**

32.1 At the outset or during the course of an investigation it may become necessary to consider suspending the alleged perpetrator(s) from carrying out their normal duties. Under the Council's Disciplinary Procedure, depending on the circumstances of the case the employee may be:

- ♦ Required to remain in their own post on restricted duties.
- ♦ Required to work in any other position within the Council.
- ♦ Suspended from all duties and required to remain away from work.

32.2 The Disciplinary Procedure contains guidance on the circumstances under which suspension is appropriate and the process that must be followed.

32.3 A key concern for the Investigating Officer is to protect the integrity of any unsecured evidence and to prevent any influence the suspect(s) might bring to bear on associates. If this is considered to be a material threat, the Investigating Officer should recommend suspension to the Service Director / Senior Officer concerned (in consultation with the Head of Human Resources).

32.4 Where the suspension requires an employee to remain away from work, the manager should (with possible assistance from Customer Service Attendants or other appropriate officers):

- ♦ Escort the employee to his / her workstation.
- ♦ Allow the employee to remove any personal possessions.
- ♦ Ensure that nothing material to the investigation is removed (e.g. diaries).
- ♦ Require the employee to hand over any keys, identity cards, passes, Council purchasing cards, trade cards, Council laptop, mobile phone etc.
- ♦ Escort the employee from the premises.

32.5 If considered necessary in the circumstances of the investigation, the Service Director should arrange for the prompt changing of door access codes to prevent unauthorised entry to Council premises by the suspended employee.

## **33. INVESTIGATION REPORTING - OFFICERS**

33.1 At the end of the preliminary investigation, the Investigating Officer must decide whether there is a case to be answered and, therefore, if it should proceed to a disciplinary hearing. If it is to proceed, s/he must produce a written Preliminary Investigation Report in conjunction with Human Resources.

33.2 If any or all of the investigation is undertaken by the Internal Audit Team, a representative of Internal Audit will also assist with the Preliminary Investigation Report.

33.3 The Preliminary Investigation Report should contain:

- ♦ Background to the case
- ♦ Full details of the investigation process followed;
- ♦ A summary of the evidence obtained;
- ♦ The potential nature of the offences (if any) committed;
- ♦ Recommendations as to Police referral (where appropriate);
- ♦ Recommendation as to the requirement for a disciplinary hearing

33.4 All reports should be factual, impartial and, unless absolutely necessary contain no opinion.

33.5 With regard to whistle blowing considerations under the Public Interest Disclosure Act, in certain circumstances the names of witnesses may be deleted in a report and provided in a separate covering sheet. However although protection is guaranteed to witnesses, they cannot (other than in exceptional circumstances) be guaranteed anonymity as they may be required to give oral evidence at a future hearing, appeal, tribunal or in court.

33.6 The investigation may also reveal weaknesses in systems, procedures or internal control that need to be rectified for the future. At an appropriate stage, a separate Internal Audit Report will be issued to the relevant Service Director detailing such weaknesses together with corresponding recommendations for corrective action.

## **34. INVESTIGATION REPORTING - MEMBERS**

34.1 These will be carried out in accordance with regulations (if any) made under Section 66 of the Local Government Act 2000. If no such regulations are in force, the matter will be dealt with in accordance with any provisions specified by the Standards Board for England.

## **35. INVESTIGATION REPORTING – BENEFIT CLAIMANTS**

35.1 At the conclusion of the benefit fraud investigation a report will be produced, this will be passed to the Housing Benefit Head of Service for the calculation of the overpayment and claim of subsidy, and to the Benefit Fraud Manager to review the case.

## **36. HEARINGS & APPEALS – OFFICERS**

36.1 The Council's detailed rules on disciplinary hearings and appeals are contained in the Disciplinary Procedure. Where an investigation has been undertaken (partially or wholly) by the Internal Audit Team, Internal Audit may provide the following services:

- ♦ Advising management on how they might approach a disciplinary case that is based on the results of an Audit or joint Audit / management investigation.
- ♦ Advising management on how to formulate disciplinary charges.
- ♦ Advising management on how to put together a disciplinary package of evidence.
- ♦ Attending the disciplinary interview (and possible appeals) as a witness.

36.2 Internal Audit only provides evidence to a disciplinary hearing and has no other influence on the Disciplinary Panel's decision.

36.3 Where the investigation is into matters of a potentially criminal nature, the Police would normally have been informed at an earlier stage. However, in certain circumstances it may have been decided to proceed with the internal investigation before contacting the Police. Under these circumstances the Investigating Officer should inform the Service Director / Head of Human Resources once it becomes clear that a criminal offence has been committed. They would in turn review the issue of Police referral.

36.4 In any event, after the internal investigation is completed and if the matter proceeds to a Disciplinary hearing, the disciplining officer should ensure that the Service Director / Head of Human Resources are informed of any potentially criminal offence. The issue of Police referral is a matter for the Service Director and/or Head of Human Resources to decide (in conjunction with the Chief Executive).

36.5 It should also be borne in mind that where actual losses have occurred, if an insurance claim is to be pursued the matter must first be reported to the Police and a crime number obtained. This number needs to be inserted on actual claim form.

## **37. HEARINGS & APPEALS – MEMBERS**

37.1 These will be carried out in accordance with regulations (if any) made under the Local Government Act 2000. If no such regulations are in force, the matter will be dealt with in accordance with any provisions specified by the Standards Board for England.

## **38. HEARINGS & APPEALS – BENEFIT CLAIMANTS**

38.1 These will be undertaken in accordance with the Housing Benefit and Council Tax Benefit Sanction & Prosecution Policy.

## **39. LOSS RECOVERY**

39.1 Where actual losses have occurred the relevant Service Director must take action to identify accurately the nature and scale of losses incurred following investigations of fraud and corruption.

39.2 It may be possible to recover them (wholly or in part) via an insurance claim, in which case the Police must first be contacted for a crime number for insertion on the actual claim form.

39.3 The Council's policy for recovering uninsured losses from the perpetrators of fraud is to do so in all cases seeking to maximise recoveries through agreement, repayment, court action and any other available penalties, including applying for monies to be recovered from the Pension Fund and via applications under the Proceeds of Crime (POCA) legislation. All options should be considered and none should be regarded as mutually exclusive.

39.4 Court action to recover losses should normally be undertaken where, having considered all the available evidence, the Head of Governance takes the view that

recovery action through the Courts is likely to succeed and it is financially beneficial to proceed, taking into account the costs of legal proceedings.

39.5 Whatever methods are used to recover losses incurred, the relevant Service Director must actively monitor recovery progress as part of standard procedure and as a key measure of performance in relation to this strategy.

39.6 Directions in respect of the recovery of overpaid benefits will proceed in accordance with the Council's Sanction and Prosecution Policy for Housing Benefit and Council Tax Benefits.

## **40. REVIEW**

40.1 The Council has in place a clear network of systems and procedures to assist it in the fight against fraud and corruption and is determined to ensure that these arrangements keep pace with any future developments, in both prevention and detection techniques, regarding fraudulent or corrupt activity that may affect its operation or related responsibilities.

40.2 To this end, the Council will maintain a continuous overview of such arrangements, including this Strategy, through the roles of the Monitoring Officer and Section 151 Officer.

## APPENDIX 1

### DEFINING SUCCESS – Key performance indicators

Ref	Performance Indicator	Responsibility
<b>ADOPTING THE RIGHT STRATEGY</b>		
1	The Council's anti-fraud policies are reviewed and updated on an annual basis	Head of Internal Audit
2	The Council's Whistleblowing Policy complies with best practice and the British Standard on Whistleblowing	Head of Internal Audit
3	The Administrative Agreement for the Benefit Fraud shared service is actively monitored on an ongoing basis	Head of Internal Audit
<b>ACCURATELY IDENTIFYING RISKS</b>		
3	The Internal Audit and Benefit Fraud Service undertake a range of proactive anti-fraud and corruption work	Head of Internal Audit
4	The Risk Management Strategy takes account of fraud both strategically and operationally within the Council and in respect of significant partnerships and contractual relationships	Risk Management Officer
<b>CREATING AND MAINTAINING A STRONG STRUCTURE</b>		
5	The Internal Investigations Procedure is robustly applied in all cases	Head of Internal Audit
6	All concerns raised through the Whistleblowing process are investigated to establish whether there is a genuine case to answer	Head of Internal Audit/Benefit Fraud Service
7	A safe recruitment strategy is operating to ensure all new employees meet reference, qualification and legal status requirements	HR Contract Liaison Officer
<b>TAKING ACTION TO TACKLE THE PROBLEM</b>		
8	Overall employee awareness levels about the Council's counter fraud culture and arrangements are high	Head of Governance
9	Cases of fraud and corruption against the Council that result in criminal prosecution are widely publicised	Benefit Fraud Service
10	The hotline telephone number is advertised widely across the Council, on the website and on benefit documentation	Benefit Fraud Service
11	The Council participates actively in the biennial National Fraud Initiative and investigates all high risk cases identified	Head of Internal Audit
12	Where a fraud has occurred, management makes suitable changes to systems and procedures in order to minimise the potential for similar frauds	Head of Internal Audit
13	The Benefit Fraud service achieves its defined annual targets for sanctions and overpayments identified	Benefit Fraud Service
14	The Council is effective in recovering any losses incurred by fraud and corruption	Service Directors



# WHISTLEBLOWING POLICY

## 1 Introduction

- 1.1 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns without fear of reprisals. This policy document makes it clear that you can do so without the fear of victimisation, subsequent discrimination or disadvantage.
- 1.3 This Whistleblowing Policy is intended to encourage and enable employees to raise serious concerns within the Council rather than overlooking a problem and before raising the matter outside the Council.
- 1.4 These procedures are in addition to the Council's complaints procedures and other reporting procedures that may apply in some departments. Employees are responsible for making service users aware of the existence of these procedures.

## 2 Aims and Scope of the Policy

- 2.1 This Whistleblowing Policy aims to:
  - ♦ encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice
  - ♦ 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 whistleblowing in good faith
- 2.2 All employees have a moral responsibility to report improper acts and omissions. In some circumstances failure to raise such concerns may amount to a breach of contract or breaking the law.
- 2.3 There are existing procedures in place to enable you to lodge a grievance relating to your own employment or a collective grievance held by more than one employee about a particular issue concerning their employment. Some of the more common issues that might give rise to a grievance include:
  - ♦ the application of terms and conditions of employment;
  - ♦ Health and Safety;
  - ♦ relationships at work;

- ♦ working practices not covered by the job description;
- ♦ fair and equitable treatment.

2.4 This Whistleblowing Policy is intended to cover concerns that fall outside the scope of other procedures. These may include:

- ♦ conduct that may be an offence or break the law;
- ♦ failure to comply with a legal obligation;
- ♦ miscarriage of justice;
- ♦ unauthorised use of public funds;
- ♦ offering, taking or soliciting bribes
- ♦ possible fraud or corruption;
- ♦ misreporting performance data;
- ♦ health and safety risks in the workplace;
- ♦ dumping damaging material in the environment;
- ♦ sexual harassment or physical abuse;
- ♦ unethical conduct; and
- ♦ deliberate covering up of information relating to any of the above

2.5 That concern may be about any aspect of service delivery, or the conduct of employees or members of the Council, or others acting on the Council's behalf. It may be something that:

- ♦ is unlawful; or
- ♦ makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or
- ♦ is against the Council's Standing Orders, regulations or policies; or
- ♦ falls below established standards or practice; or
- ♦ amounts to improper conduct.

2.6 The people best placed to raise a concern before any serious damage is done often fear they have the most to lose if they do speak up. The Council is keen to avoid a culture of silence by supporting honesty and encouraging openness. This will ensure the Council is better able to:

- ♦ deter wrongdoing;
- ♦ pick up potential problems early;
- ♦ enable critical information to get to the people who need to know and can address the issue;
- ♦ demonstrate to stakeholders, regulators and the courts that they are accountable and well managed;
- ♦ reduce the risk of anonymous and malicious leaks;
- ♦ minimise costs and compensation from accidents, investigations, litigation and regulatory inspections; and
- ♦ maintain and enhance its reputation.

### **3 Who is Covered by the Policy?**

3.1 All employees of the Council may use this policy. This includes both permanent and temporary staff, and elected members. It covers agency staff and staff seconded to a third party. Any concerns relating to the third party, if relevant to the employee's secondment can also be raised under this policy.

- 3.2 Contractors working for the Council on Council premises, for example, agency staff, consultants, builders and maintenance staff, may use the policy to make the Council aware of any concerns with regard to any contractual or other arrangements with the Council. It also covers suppliers and those providing services under a contract with the Council in their own premises

#### **4 Harassment or Victimisation**

- 4.1 The Council is committed to good practice and high standards and wants to be supportive of employees who make the decision to report a concern. Employees who raise concerns in good faith have nothing to fear since they are fulfilling their responsibility to their employer and to those for whom they are providing a service.
- 4.2 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate bullying, harassment or victimisation, including informal pressure, and will take appropriate action to protect you when you raise a concern in good faith. This could include disciplinary action against the perpetrator, which may lead to dismissal.
- 4.3 You must report any retaliation, which could include but is not limited to:
- ◆ frequent and undesirable changes in work assigned;
  - ◆ unsubstantiated disciplinary action
  - ◆ unjust denial of promotion or transfer
  - ◆ physical and verbal abuse
  - ◆ deliberate exclusion and isolation
- 4.4 This does not mean that if you are already the subject of a disciplinary investigation for alleged malpractice or redundancy procedures, that those procedures will be halted as a result of your whistleblowing.

#### **5 Confidentiality**

- 5.1 The best situation if you had a whistleblowing concern would be if you felt it was safe and acceptable to raise the concern openly, where those involved know what the issue is and who has raised it. This openness makes it easier for the Council to assess the issues, to work out how to investigate the matter, to get more information, to understand any hidden agendas, to avoid witch hunts and to minimise the risk of a sense of mistrust developing.
- 5.2 While openness is the ideal, in practice you may have reason to feel anxious about your identity being revealed, particularly at the outset. Consequently where you raise a concern outside of line management the assumption will be that the contact is made in confidence.
- 5.3 The Council will do its best to protect your identity when you raise a concern and do not want your name to be disclosed. It must be appreciated that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence, particularly if the Police or External Auditors become involved. In order to take effective action,

the Council will need proper evidence which may be required to withstand examination in disciplinary proceedings, courts or tribunals.

- 5.4 If it does become necessary to reveal your identity, you will be advised before this action is taken. If there is an unauthorised disclosure of your identity without your prior knowledge, disciplinary action may be taken against the person breaching the confidentiality arrangements.
- 5.5 Even though your name will not be revealed without prior notification, this cannot guarantee that others will not try to deduce the identity of the whistleblower. In addition, if you have already voiced the concern to colleagues or your manager, others may assume you are the source of any disclosure made higher up in the organisation.

## **6 Anonymous Allegations**

- 6.1 This policy encourages you to put your name to your allegation. Concerns expressed anonymously are much less powerful. They are difficult to investigate since it is impossible to liaise with the employee to seek clarification or more information, to assure them or to give them feedback.
- 6.2 Anonymous allegation will be considered at the discretion of the Chief Executive. In exercising this discretion, the factors taken into account would include:
  - ◆ the seriousness of the issues raised
  - ◆ the credibility of the concern; and
  - ◆ the likelihood of confirming the allegation from attributable sources.

## **7 Untrue Allegations**

- 7.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make a frivolous, malicious or vexatious allegation that is for no other purpose than to cause trouble or annoyance or without good reason to discredit the Council, any member or officer, an investigation will take place to determine whether disciplinary action is taken.

## **8 How To Raise A Concern**

- 8.1 As a first step, you should normally raise concerns with your immediate line manager or supervisor. In most cases the matter will be dealt with at that stage. You may wish to consider discussing your concern with a colleague in some circumstances, as it can be easier to raise concerns if there is more than one witness.
- 8.2 If you feel unable to raise the matter with your line manager, or if your line manager does not take appropriate action to resolve the issue, you should approach a more senior manager or your director. However, this depends on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice.

- 8.3 For example, if you believe that a senior manager is involved, you should approach the:
- ♦ Chief Executive;
  - ♦ Section 151 Officer;
  - ♦ Monitoring Officer; or
  - ♦ Head of Internal Audit.
- 8.4 Managers have a responsibility to ensure that concerns are taken seriously and must ensure that the action necessary to resolve a concern is taken promptly. Employees should be kept advised of progress. A whistleblower has the status of a witness not a complainant.
- 8.5 Concerns are better raised in writing. You are invited to set out the background and history of the concern, giving names, dates and places where possible, and the reasons why you are particularly concerned about the situation. If you do not feel able to put your concern in writing, you can telephone or meet the appropriate officer.
- 8.6 The earlier you express the concern, the easier it is to take action.
- 8.7 Although you are not expected to prove the truth of an allegation, you will need to demonstrate to the person contacted that there are sufficient grounds for your concern.
- 8.8 Advice and guidance on how matters of concern may be pursued can be obtained from:
- A local Trade Union official
- Phil Woodward - Chief Executive on extension 8500  
E-mail: philw@fylde
- Bernard Hayes – Section 151 Officer on 01772 906002  
E-mail: b.p.hayes@preston.gov.uk
- Ian Curtis - Head of Governance on extension 8506  
E-mail: ianc@fylde.gov.uk
- Savile Sykes – Head of Internal Audit on extension 8413  
E-mail: saviles@fylde.gov.uk
- Dean Francis – Senior Auditor on extension 8416  
E-mail: deanf@fylde.gov.uk
- Carmel McKeogh – Head of Human Resources on extension 318031  
E-mail: carmel.mckeogh@blackpool.gov.uk
- 8.9 You may invite a companion, who may be from your trade union or professional association, or a friend or a legal representative to raise a matter on your behalf. You may also have such a companion to represent you at any meeting that is held relating to your concern.

## **9 How The Council Will Respond**

- 9.1 The Council will respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.
- 9.2 The action taken by the Council will depend on the nature of the concern. The Council could decide that the matters raised might:
- ♦ be investigated internally by management and/or internal audit through the disciplinary process
  - ♦ be investigated under another procedure
  - ♦ be reported to the Council's Standards Committee
  - ♦ be referred to the Police
  - ♦ be referred to the external Auditor
  - ♦ form the subject of an independent inquiry
- 9.3 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle, which the Council will have in mind, is the public interest. Concerns or allegations, which fall within the scope of specific procedures (for example racial discrimination issues, members conduct, IT security breach), will normally be referred for consideration under relevant procedures.
- 9.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 9.5 Within fifteen working days of a concern being received, your immediate manager, the Chief Executive or relevant officer, depending upon whom you have approached and the circumstances of the case, will contact you:
- ♦ acknowledging that the concern has been received
  - ♦ indicating how it is proposed to deal with the matter if possible at such an early stage
  - ♦ giving an estimate of how long it will take to provide a final response if possible at such an early stage
  - ♦ telling you whether any initial enquiries have been made, and
  - ♦ telling you whether further investigations will take place, and if not, why not.
- 9.6 The amount of contact between the officers considering the issues and you will depend on 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.
- 9.7 If you would like an update or feedback at any time the Council encourages you to contact the person you approached. While the Council will provide as much feedback as it properly can, due to legal obligations of confidentiality, it may not be able to fully provide feedback on the outcome of any disciplinary action taken. Where this is the case the Council will make clear to the whistleblower that they were right to raise the concern.

- 9.8 Any further evidence that the wrongdoing is continuing or that the whistleblower feels anxious about some perceived or actual reprisal should be reported to your contact.
- 9.9 When any meeting is arranged, off-site if you so wish, you have the right to be accompanied by your chosen companion. This may be a trade union representative or work colleague but cannot be someone involved in the area of work to which the concern relates.
- 9.10 The Council will do what it lawfully can to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise you about the procedure. The Council cannot provide legal representation for you. Where appropriate, counselling may be provided through Human Resources.
- 9.11 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations. However, this will not include details of any disciplinary action, which will remain confidential to the individual concerned.

## **10 How The Matter Can Be Taken Further**

- 10.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes you will be satisfied. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:
- ◆ Audit Commission Whistleblower's Hotline 0845 052 2646
  - ◆ the Police 0845 1 25 35 45
  - ◆ the independent charity Public Concern at Work 020 7404 6609
  - ◆ Information Commissioner 01625 545745
  - ◆ Health & Safety Executive 01772 836200
  - ◆ Standards Board for England 0800 107 2001
  - ◆ Local Government Ombudsman 01904 633269
  - ◆ UNISON whistleblowing hotline 0800 597 9750
- 10.2 Some of these organisations can give you free confidential advice about how to raise a concern about serious malpractice at work. For example, Public Concern At Work will give practical advice to those who have a concern but may be unsure whether to report the matter or remain silent.
- 10.3 It is stressed that this list is not exhaustive and you are free to contact any organisation that you feel will be able to deal properly with your concerns.
- 10.4 This may include:
- ◆ your local Councillor
  - ◆ your solicitor
  - ◆ other relevant professional/regulatory bodies.

- 10.5 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. Check with your contact point about that.
- 10.6 It will be safe to raise a concern with any of the above provided that:
- ♦ you make the disclosure in good faith
  - ♦ you reasonably believe that the information disclosed, and any allegation contained in it, are substantially true
  - ♦ you do not make the disclosure for the purposes of personal gain.
- 10.7 If you make allegations that you have no grounds to believe are true, or maliciously or for personal gain then you could face defamation proceedings or a prosecution for wasting police time. If you decide to address your concerns by going to the press or the media then you may face defamation proceedings if your allegations are unfounded.

## **11 Responsible Officer**

- 11.1 The Head of Governance (as Monitoring Officer) has overall responsibility for the maintenance and operation of this policy. The Head of Internal Audit maintains a record of concerns raised and the outcomes, but not in a form that may endanger your confidentiality, and will report as necessary to the Council.

## **12 The Law**

- 12.1 This policy has been written to take account of the Public Interest Disclosure Act 1998, which protects workers making disclosures about certain matters of concern, where those disclosures are made in accordance with the Act's provisions. The Act is incorporated into the Employment Rights Act 1996, which already protects employees who take action over, or raise concerns about, health and safety at work. Further information on this legislation can be obtained from the Council's Head of Governance.

## **13 Reviewing the Effectiveness of the Policy**

- 13.1 The impact and effect of the policy will be judged annually against the British Standards Institute (BSI) Whistleblowing Arrangements Code of Practice.



# **ANTI-MONEY LAUNDERING POLICY**

## **1 Introduction**

- 1.1 Money laundering can be defined as “a process that makes money with an illegal origin appear legal so that it may be used”. Legislation concerning money laundering (Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 and 2007) broadened the definition of money laundering and increased the range of activities included within the statutory framework. As a result, the obligations impact on wide areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

## **2 Scope of the Policy**

- 2.1 This Policy applies to all officers and elected members of the Council. The Policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations. Within this policy the term employees refers to all employees and elected members.
- 2.2 Failure by an employee to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.

## **3 Purpose**

- 3.1 This policy has been written so as to enable the Council to meet the anti-money laundering legal requirements in a way that is proportionate to the very low risk to the Council of contravening the legislation.
- 3.2 The purpose of this policy is to make all aware of their responsibilities and the consequences of non compliance with this policy.
- 3.3 Potentially any employee could be contravene the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This Policy sets out how any concerns should be raised.
- 3.4 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.

## **4 Definitions**

- 4.1 Money laundering is the disguising of the source of money, either in cash, paper or electronic forms. This may be in order to conceal that the money has originated from crime or it may be to conceal the source of money that is used in the pursuit of further crime.
- 4.2 Money laundering is highly sophisticated. The conversion of cash into a non cash form of money is only the first step and it is likely that there will follow a complex series of transactions intended to hide the trail from any investigator. Consequently money laundering is not restrict simply to cash transactions..
- 4.3 Possible indicators of money laundering are:

- ♦ any large cash deposits or payments
  - ♦ large overpayments of fees or money on account
  - ♦ if the source or destination of funds differs from the original details given by the client
  - ♦ if the client cancels transactions without good reason and requests a cheque for previously deposited funds
  - ♦ if information about the client reveals criminality or association with criminality
  - ♦ if there is more than one solicitor/conveyancer used in the sale or purchase of a property or land or if there is unexplained and unusual geographic use of the solicitor in relation to a property's location
  - ♦ if the buyer's or seller's financial profile does not fit, particularly in relation to property transactions
  - ♦ if there are over complicated financial arrangements
- 4.4 The Money Laundering regulations requires organisations conducting relevant business to adopt certain procedures to help control the transfer of money and assets for the purposes of benefiting from criminal activity.
- 4.5 Not all of the Council business is relevant and it will mainly be those officers conducting accountancy, cashiering, income and debtor services, and property transactions who will be carrying out relevant business. Examples include the following activities:
- ♦ accepting substantial cash payments, particularly those in excess of £10,000
  - ♦ accepting deposits in advance of a service being delivered
  - ♦ arranging and managing investments and loans
  - ♦ legal services in connection with financial or property transactions
  - ♦ formation and management of joint companies, trusts or other business models
  - ♦ collection or refund of money to/from debtors

## **5 The Money Laundering Reporting Officer**

- 5.1 The Head of Finance is the Money Laundering Reporting Officer (MLRO), that is the officer nominated to receive disclosures about money laundering activity within the Council.
- 5.2 The Accountancy Services Manager and Senior Accountants are the contacts authorised by the MLRO to facilitate these procedures and act on behalf of the MLRO when considering whether a disclosure needs to be made.

## **6 Disclosure Procedure**

- 6.1 Where an employee knows or suspects that money laundering activity is taking/has taken place, or becomes concerned about their involvement in a matter that may amount to a money laundering, they must disclose this as soon as practicable to the MLRO or authorised contacts. The disclosure should be within "hours" of the information coming to the attention of the employee, as opposed to weeks or months later. An employee who fails to make such a disclosure may be liable to prosecution.
- 6.2 The disclosure should be made using the disclosure forms attached in Appendix 1. The form must include as much detail as possible.
- 6.3 Once a report has been made to the MLRO the employee concerned must comply with the following:

- ♦ The employee must follow any directions given by the MLRO. This may include continuing with the transaction in order to avoid raising any suspicion that money laundering has been suspected.
- ♦ The employee must co-operate with the MLRO and the National Criminal Intelligence Service (NCIS) during any subsequent investigation
- ♦ The employee must not make any further enquiries or investigate the matter themselves in order not to compromise the official investigation
- ♦ The employee must not voice any suspicions to persons suspected of money laundering as this may constitute a criminal offence
- ♦ The employee must not make any reference on a client file to making a report to the MLRO

## **7.0 Duties of the Money Laundering Reporting Officer**

7.1 Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. The MLRO should also advise the employee making the disclosure of the timescale within which a response will be made.

7.2 The MLRO will consider the report and any other available internal information, for example:

- reviewing other transaction patterns and volumes
- the length of any business relationship involved
- the number of any one-off transactions and linked one-off transactions
- any identification evidence held;

and undertake such other reasonable inquiries considered appropriate in order to ensure that all available information is taken must be being made in such a way as to avoid any appearance of tipping off those involved. The MLRO may also need to discuss the report with the employee making the disclosure.

7.3 Once the MLRO has evaluated the disclosure report and any other relevant information, he must make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to suspect that is the case; and
- whether he needs to seek consent from the NCIS for a particular transaction to proceed.

7.4 Where the MLRO does so conclude, then he must disclose the matter as soon as practicable to the NCIS on their standard report form and in the prescribed manner to the NCIS.

7.5 Where consent is required from the NCIS for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCIS has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCIS.

- 7.6 All disclosure reports referred to the MLRO and reports made by him to the NCIS must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 7.7 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCIS.

## **8.0 Client Identification Procedure**

- 8.1 The client identification procedure must be carried out by employees before any business is undertaken for or with a client or third party under any of the following circumstances, when the Council:
- a) is about to form an ongoing business relationship with a client or third party
  - b) undertakes a one-off transaction involving payment by the client or third party of £10,000 or more in cash
  - c) undertakes a series of linked one-off transactions involving total payment by the client or third party, or their associate(s) of £10,000 or more in cash
  - d) undertakes a one-off transaction or a series of linked one-off transactions involving payment by or to the client or third party, or their associate(s) of £10,000 or more
  - e) believes or suspects that a one-off transaction (or a series of them) involves money laundering;
- 8.2 In the above circumstances, staff in the relevant service team of the Council must obtain satisfactory evidence of the identity of the prospective client or third party, as soon as practicable after instructions are received (unless evidence of the client's identity has already been obtained). This applies to existing clients, as well as new ones.
- 8.3 Any employee involved in relevant business should ensure the client or third party provides satisfactory evidence of their identity personally, through a current passport/photo driving licence plus two other recent documents with their name and address, for example, a utility bill, mortgage/building society/bank documents, pension/benefits book.
- 8.4 In any circumstances where the client or third party cannot be physically identified the employee should be aware that
- (a) there is greater potential for money laundering where the client or third party is not physically present when being identified
  - (b) if satisfactory evidence is not obtained the relationship or transaction should not proceed
  - (c) if the client acts or appears to act for another person, reasonable measures must be taken for the purposes of identifying that person as well
- 8.5 In the case of corporate identity, this may be established through company formation documents or a company search via Companies House. In addition, it would be prudent to seek additional evidence of the identity of key individuals within the organisation itself.
- 8.6 In the case of further instructions from an existing client not well known to the Council, it would be prudent to seek up-to-date evidence of identity.

- 8.7 If there is an unjustified delay in providing the evidence of identity requested from the client or third party or where the client or third party refuses to provide such evidence a disclosure should be made to alert the MLRO.

## **9.0 Record Keeping Procedures**

- 9.1 Each service team of the Council conducting relevant business must maintain records of:
- ♦ client identification evidence obtained, which must be kept for 5 years from the completion of the transaction
  - ♦ details of all relevant business transactions carried out for such clients for at least five years from the completion of the transaction. This is so that the records may be used as evidence in any subsequent investigation by the authorities into money laundering.
- 9.2 The client identification records must provide an audit trail for use during any subsequent investigation. Records should distinguish the client and the relevant transaction and record in what form any funds were received or paid. In practice, each service team of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

# Sanction & Prosecution Policy

## (Housing Benefit & Council Tax Benefit)

### 1. Introduction

- 1.1 This document sets out the Council's policy for applying sanctions to persons and organisations external to the Council who commit benefit fraud against it.
- 1.2 The principle guiding the policy is that the Council will seek to prosecute or apply other appropriate sanctions to perpetrators of benefit fraud and corruption. Consequently any person or group of persons who commits benefit fraud against the Council can expect to be sanctioned accordingly.
- 1.3 In recognition of the Council's stated aim and its status as a responsible steward of public funds this Policy aims to enable fraud to be effectively countered and deterred. Its specific objectives are to:
  - ♦ ensure that fraud is punished through effective sanctions,
  - ♦ assist in the selection of the most appropriate sanction,
  - ♦ ensure that sanctions are successfully applied,
  - ♦ maximise the deterrent effect of successful sanctions,
  - ♦ help obtain adequate recompense where necessary,
  - ♦ maintain and generate public confidence in and respect for the Council, by helping to ensure that justice is seen as being done.

### 2 Scope and Definitions

- 2.1 For the purposes of this Policy, fraud means: 'the intentional distortion of financial statements or records by any persons which is carried out to conceal assets or otherwise for gain'.
- 2.2 This meaning also includes making financial gain, or an attempt to make financial gain, by knowingly failing to advise of changes to information previously supplied.
- 2.3 This Policy covers only Housing Benefits and Council Tax Benefit fraud against the Council by external persons or organisations. This may include, amongst others benefit claimants, landlords and agents.
- 2.4 The Policy sets out:
  - ♦ the sanctions which are available,
  - ♦ the criteria for deciding which sanction to apply,
  - ♦ the responsibilities for deciding which sanction to apply,
  - ♦ voluntary disclosure,
  - ♦ publicity and reporting,
  - ♦ keeping the Policy timely and relevant.

### 3 Sanctions Available

There are four sanctions available:

- 3.1 Prosecution - Criminal proceedings may be brought against alleged offenders and the case heard in Court with a view to obtaining a criminal conviction and an appropriate sentence.
- 3.2 Formal Caution - An oral warning may be given in certain circumstances to a person who has committed an offence.
- 3.3 Administrative Penalty - In accordance with Social Security legislation<sup>1</sup>, Administrative Penalties will be considered as an alternative to prosecution in Housing / Council Tax Benefit fraud cases. A financial penalty amounting to a statutorily determined percentage of the gross adjudicated overpayment can be offered to a person where there is enough evidence to prosecute.
- 3.4 Overpayment Recovery and Civil Court Action - A strict requirement to repay monies fraudulently obtained is in itself another major deterrent to fraud, and may be additional to any other sanctions that are applied. Recovery may also include Civil Court action.

#### **4 Criteria For Deciding Which Sanction To Apply**

- 4.1 The Council is committed to protecting public funds through its investigations into cases of Housing/Council Tax Benefit fraud. Where it is suspected that a claimant or landlord has committed fraud against the Council, and enough evidence has been gathered to sustain a prosecution, the Council must decide what course of action to follow
- 4.2 The initial decision about what action may be most appropriate lies with the Benefit Fraud Manager who will submit a report to the Director of Governance & Partnerships or his/her nominated representative making recommendations on the appropriate sanction, taking into account the factors outlined further in this policy. If approved the report will be counter signed. If it is not approved, a case conference will take place to discuss what action, if any, is appropriate.
- 4.3 It must be understood that all frauds will be treated rigorously and prosecution will be regarded as the optimum sanction. The Council reserves the right to seek to prosecute in every fraud case
- 4.4 However, where the evidential requirement for prosecution is satisfied but the overpayment is less than £2,000 consideration will be given to individual customer's circumstances in deciding the appropriateness of issuing a formal caution or offering an administrative penalty.

#### **5. Local Authority Caution**

The Council may consider issuing a Local Authority Caution if:

- ♦ To the Council's knowledge the claimant has never previously offended

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<sup>1</sup> Section 115A of the Social Security Administration Act 1992 as inserted by section 15 of the Social Security Administration (Fraud) Act 1997 and the Social Security (Penalty Notice) Regulations 1997

- ♦ The person has fully admitted the offence in an interview under caution. A caution cannot be issued if the claimant refutes or denies the allegation
- ♦ Criminal proceedings are not the first option
- ♦ An administrative penalty is not appropriate
- ♦ The offence is minor
- ♦ The fraud has continued for a relatively short period, normally no longer than 12 months
- ♦ The overpayment is under £2000
- ♦ An additional factor that will be taken into account is the person's subsequent attitude e.g. genuine expression of remorse for their actions
- ♦ The claimant is elderly or suffering from either significant mental or physical ill health, but their fraudulent act is considered too serious to go unpunished, and they have admitted the offence.

**If the person refuses the caution, the case will usually be referred for prosecution**

## **6. Administrative Penalty**

- 6.1 Section 115A of the Social Security Administration Act 1992, as amended by Section 15 of the Social Security (Fraud) Act 1997, allows the Local Authority to apply a penalty (currently 30%) of the total overpayment, as an alternative to prosecution. This penalty is levied in addition to the amount of overpayment.
- 6.2 Upon accepting the penalty the claimant has 28 days in which to change their decision. If a penalty is not accepted or it is withdrawn the Authority must consider whether to prosecute, therefore all cases must be up to prosecution standard.
- 6.3 It should be noted that the offer of a penalty should take place at a special interview. The claimant should be told at the interview that:
  - ♦ It is not an interview under caution;
  - ♦ In light of the evidence available, it is believed there are grounds for instigating criminal proceedings for the offence;
  - ♦ It has been decided to offer them the alternative of agreeing to pay an administrative penalty instead of their case being referred for prosecution;
  - ♦ They will be expected to make a decision on whether to agree to pay a penalty, by the end of the interview;
  - ♦ Acceptance of the penalty is not an admission of guilt;
  - ♦ Recovery of the penalty will occur in the same way as recovery of the overpayment;



- ♦ They have 28 days in which to change their mind should they accept the penalty;
- ♦ Failure to repay the debt or default on instalments will result in them facing civil proceedings for recovery.

6.4 The officer who conducts the interview under caution will not conduct the administrative penalty interview.

The Council may consider issuing a penalty if:

- ♦ To the Council's knowledge the claimant has never previously offended
- ♦ The person has not admitted the offence during an interview under caution
- ♦ The overpayment is under £2000
- ♦ Criminal proceedings are not the first option
- ♦ A Local Authority Caution is not appropriate
- ♦ The claimant is elderly or suffering from either significant mental or physical ill health, but their fraudulent act is considered too serious to go unpunished.

**If the person refuses the Administrative Penalty, the case will usually be referred for prosecution.**

## 7. Prosecution

7.1 In cases where the fraudulent overpayment identified is greater than £2000, the Council will seek to prosecute. The decision on whether to **refer** a case for prosecution lies with the Fraud and Verification Manager and/or the Director of Governance & Partnerships or his/her nominated representative. The following tests will be considered:

Is there sufficient evidence for a realistic prospect of a conviction?

In making this decision all circumstances surrounding the case will be considered, with particular emphasis on the following;

- ♦ Is there sufficient evidence
- ♦ Any failure in investigation
- ♦ Any failure in benefit administration, including delay

Is a prosecution in the public interest?

In making this decision all circumstances surrounding the case will be considered, with particular emphasis on:

- ♦ The amount of the overpayment and duration of the alleged offence
- ♦ Whether the person has been prosecuted for a benefit offence in the last 5 years
- ♦ Whether the person has been cautioned more than once in the last 5 years
- ♦ Any abuse of position or privilege
- ♦ Whether the claimant is elderly or suffering from either significant mental or physical ill health
- ♦ Any voluntary disclosure
- ♦ Any previous incidence of fraud
- ♦ Social factors
- ♦ Whether a conviction is likely to result in significant sentence or nominal penalty
- ♦ Whether there is evidence that the suspect was a ring leader or an organiser of the offence
- ♦ Whether there was planning in the process
- ♦ Whether the claim was false from inception
- ♦ Whether there are grounds for believing that the offence is likely to be continued or repeated, based on any history of recurring conduct
- ♦ Whether the alleged offence, irrespective of its seriousness, is widespread in the area where it was committed
- ♦ The person shows no regret for their actions and does not consider the offence to be serious or shows little or no regard for Social Security legislation
- ♦ The person has refused to accept a Local Authority Caution or Administrative Penalty
- ♦ There has been a lack of co-operation with the investigation

7.2 It should be noted that it may be appropriate to prosecute a person who has not been paid any benefit but where the attempt to defraud was so serious as to justify a prosecution.

## **8. Overpayment Recovery and Civil Court Action**

8.1 Regardless of what criminal proceedings or other sanctions have been deemed appropriate in accordance with this Policy, recovery through the Council's Debtors system or from ongoing benefit entitlement will be made.

- 8.2 Civil Court Action may also be considered as a means of recovering any amounts deemed to be lost due to fraud or corruption. Such action shall be conducted under arrangements approved by the Head of Governance.

## **9. Voluntary Disclosure**

- 9.1 This will occur when claimants, of their own free will, reveal a fraud of which the Council has been unaware. It does not apply to cases where, for example:

- ♦ The disclosure is prompted by a belief that the fraud would have been discovered;
- ♦ The claimant has discovered that they were already being investigated;
- ♦ The disclosure was prompted by, for example, a visit.

Any voluntary disclosure will be taken into consideration when the decision on appropriate action is taken.

- 9.2 Each case arising from voluntary disclosure will be considered on its own merits to determine the most appropriate course of action. In all cases considered for sanction, it is essential that each case is subject to scrutiny on the basis of its own particular details. The circumstances of each individual case will ultimately determine the eventual sanction route.

## **10. Publicity and Reporting**

- 10.1 Since a principal objective of this policy is to deter fraud, then any successful prosecutions or other sanctions should be suitably publicised where appropriate.
- 10.2 While any successful prosecution result will be considered for publicity, particular attention will be given to frauds that are large in value and/or where the offender has received a significant sentence. Only when damage to the Council's reputation is threatened, will publicity not be considered.
- 10.3 Following a successful prosecution the Benefits Fraud Manager shall arrange with the Council's Communication Officer for a suitably worded press release to be prepared.
- 10.4 Other press releases may be considered from time to time, regardless of particular recent cases, such as reports of sanctions applied over a period.
- 10.5 Use shall also be made of Council-produced publications such as 'Grapevine' and the Council e-newsletter, intranet and internet websites to report results both to the public and to staff.
- 10.6 The Benefit Fraud Manager shall, at least annually, provide Housing Benefits assessment staff with a summary of results. Many of the results will be due to their vigilance and it is in the Council's best interest to support and encourage this.

## **11. Keeping the Policy Available and Relevant**

- 11.1 This policy is available to all elected members and Council employees via its inclusion in the Corporate Policies and Strategies page on the Intranet.
- 11.2 Copies of the Policy are available for reference by staff involved in fraud investigation, prosecution, and the application of other sanctions, and reference to it is included in those employees' training plans.
- 11.3 Copies of the Policy are also given to any partner organisations involved in the combat of fraud, such as the Department for Work and Pensions.
- 11.4 It may also be made available on request to any interested external parties. This could include those against whom it is intended to apply sanctions, witnesses, solicitors, and advisors.
- 11.5 The Director of Governance & Partnerships or his/her nominated representative shall review the Policy. This will include:
- ♦ monitoring its effectiveness,
  - ♦ taking account of any relevant changes in legislation and government guidance,
  - ♦ taking account of any structural changes either within the Council or between the Council and external organisations,
  - ♦ reviewing its relevance in view of changes in technology,
  - ♦ reviewing it in the light of comments received both inside and outside the Council.
- 11.6 Fylde Borough Council is committed to equality and will operate this policy fairly and in accordance with the legislative framework.

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS DIRECTORATE	AUDIT COMMITTEE	30 MARCH 2010	12

## AUDIT COMMITTEE WORK PLAN 2010-11

### Public Item

This item is for consideration in the public part of the meeting.

### Summary

The report presents the proposed work plan for the Audit Committee during 2010-11.

### Recommendation

The Committee considers and comments on its proposed work plan for 2010/11.

### Reasons for recommendation

A committee work plan will enable internal officers and external auditors to plan their work and for the committee to receive timely reports on Audit matters.

### Alternative options considered and rejected

Not to agree a planned programme of work would detract from the efficiency and effectiveness of the work of the Audit Committee.

## Cabinet Portfolio

The item falls within the following Cabinet portfolio:  
Finance & Resources (Councillor Roger Small)

### Report

1. In response to a request by the Chairman of the Audit Committee, a draft proposed audit committee work plan has been produced for 2010-11. This work plan will be updated after each meeting and reported to the following meeting. This will assist members of the committee, officers of the council and our external auditors in planning the work of the committee within realistic timescales and within the resources available.
2. The proposed work programme for the Audit Committee covering the period 2010-11 is appended to this report.
3. The committee is asked to consider and if appropriate add to or amend the work programme before final approval.

Report Author	Tel	Date	Doc ID
Governance and Partnerships Directorate	(01253) 658504	16/03/10	

List of Background Papers		
Name of document	Date	Where available for inspection
None.		

### **Attached documents**

1. Proposed Audit Committee Work Plan 2010-11.

IMPLICATIONS	
Finance	No specific implications
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	No specific implications

## **Audit Committee Work Plan 2010-2011**

Meeting Date	Report	Objective of Report	Responsible Person/Organisation
24 June 2010	Risk Management Annual Report	To receive the annual report on corporate risk management  To approve the Risk Management Strategy and the Strategic Risk Register for 2010/2011	Risk Management and Insurance Officer  Fylde Borough Council
	International Financial Reporting Standards (IFRS) – Project Progress Update	To note progress	Section 151 Officer
	Internal Audit Annual Report	To report on the work of internal audit and provide an opinion on the soundness of the Council's internal control environment	Head of Internal Audit
	Interim Report	Update on Internal Audit issues	KPMG
	Annual Review of the Audit Committee against best practice	To consider the effectiveness of the audit committee against best practice	Head of Internal Audit
	Annual Governance Statement Approval	To obtain approval for the committee chairman to sign the mandatory annual governance statement	Monitoring Officer – Ian Curtis
29 June 2010	Annual Statement of Accounts for approval	Audit Committee to approve the annual statement of Accounts	Section 151 Officer

23 Sept 2010	ISA 260 (External Audit) Report	To inform members of the arrangements for the 2009/10 external audit.	KPMG
	Effectiveness of Internal Audit	To consider the effectiveness of the internal audit against best practice	Head of Internal Audit
27 January 2011	Annual Audit Letter report		KPMG



## Audit Committee



Date	Thursday, 28 January 2010
Venue	Town Hall, St Annes
Committee members	Councillor John Singleton (Chairman) Councillor Linda Nulty (Vice-Chairman) Ben Aitken, Christine Akeroyd, Keith Hyde, Elizabeth Oades, Janine Owen, Louis Rigby, Paul Rigby
Other Councillors	None
Officers	Bernard Hayes, Tracy Scholes, Savile Sykes, Andrew Wilsdon Lyndsey Lacey
Other Attendees	Iain Leviston - KPMG

### Councillor Elizabeth Oades

The Chairman on behalf of the committee congratulated Councillor Elizabeth Oades on being invited to accept the appointment of Mayor Elect at the 2010 Annual Meeting of the Council.

#### 1. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Local Government Act 2000.

#### 2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 29 September 2009 as a correct record for signature by the Chairman.

#### 3. Substitute members

There were no substitutions

#### 4. Project Progress Update - New International Financial Reporting Standards (IFRS)

Bernard Hayes (Section 151 Officer) presented a report detailing project progress made in relation to the introduction of a new financial reporting framework for the period up to end of December 09.

Members were advised that with effect from 1/4/10 accounts for local authorities would be prepared under International Financial Reporting Standards (IFRS).

The report summarised the background to the introduction of IFRS, key issues/ main areas of the review including work to be undertaken during the next quarter and estimated project costs.

Mr Hayes further reported that a detailed IFRS project plan (due for completion by 28 February 2010) had been compiled for Fylde which had been summarised under five categories:

- Project planning
- Communication and training
- Systems and processes
- Area specific issues and plans
- Key future milestones

Following discussion it was RESOLVED:

1. To note the project progress on the implementation plan of the IFRS project to the end of December 2009 and planned work from January 2010 to March 2010.
2. To present an updated report to the next meeting of the committee on 30 March 2010.

#### 5. Annual Audit and Inspection Letter 2008/09

Iain Leviston (Senior Manager-KPMG) attended the meeting and presented an overview of the content of the Annual Audit and Inspection Letter which had been issued by the Council's auditors, KPMG. A copy of the Letter was circulated with the agenda.

The letter detailed the scope of the audit, key messages relating to the Council's use of resources within the new Comprehensive Area Assessment framework, an overview of the Council's financial standing and future issues for consideration.

Mr Leviston indicated that the use of resources assessment (which comprised three themes) demonstrated that the Council had sound processes in place for most elements of the assessment resulting in achieving a level 2 score. However, some weaknesses had been identified under 'managing resources' resulting in a level 1 score. He added that despite the identification of such weaknesses, it was concluded that the Council had for most part made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Councillors Nulty and Owen enquired about the significance of the weaknesses identified. Mr Leviston explained that the Council had in place processes to improve its score and it was hoped that the Use of Resources score for 2009/10 would reflect the improvements made. Mr Hayes also reiterated that the use of resources assessment for 2008/09 had been a higher bar than previously was set and the overall score of 2 reflected that the Council had made a good deal of improvement overall.

Councillor Oades asked about the costs associated with the use of consultants as identified in the report. Mr Hayes confirmed that this would be from within existing budgets.

The committee RESOLVED to thank Mr Leviston for his attendance and to note the report.

#### 6. Reserves and Balances Policy

Bernard Hayes (Section 151 Officer) outlined the contents of the Reserves and Balances Policy which had been circulated with the agenda.

Mr Hayes explained that the Policy sets out the Council's approach to reserves and balances within the context of its Medium Term Financial Strategy. He added that it provided a reasonable course of action in a reasonable set of circumstances. Essentially, the level of balances (£750k) had taken into account best practice and Audit Commission advice, the current level of spending/commitments and the necessity for the Council to remain financially robust.

The Committee RESOLVED to note the report.

#### 7. Strategic Risk 2009 - 2010

Andrew Wilsdon (Risk Management Officer) presented a report which summarised the work undertaken in completing the Strategic Risk Actions contained in the 2009-2010 Risk Register.

Mr Wilsdon indicated that in 2009, Corporate Management Team had identified six separate risk areas (detailed in the report) requiring additional management and attention. These were formulated into individual action plans and assigned a champion (from Management Team) to ensure that each action was completed. Mr Wilsdon added that of the original 53 individual actions identified to be undertaken 85% had been fully completed and only 6 actions remained incomplete. 5 actions related to elements of the Local Development Framework and the final action related to the Regeneration Framework.

Councillor Oades enquired about the anticipated completion date relating to the LDF actions. She also expressed her disappointment that the Regeneration Framework had been superseded by the 2020 vision.

Members of the Committee commented that the actions relating to the LDF process should be classed a high level risk and immediate action should be taken to remedy the situation.

Councillor Owen commented that the appropriate Member Champion should be invited to follow up each action and present a timely report.

Following consideration of the report it was RESOLVED:

1. To note progress made on completing the Strategic Risk Actions for 2009-2010.
2. To request that an updated report be presented to the March meeting of the committee detailing proposals to remedy the outstanding 6 actions.

#### 8. Internal Audit Interim Report 2009-2010

Savile Sykes (Head of Internal Audit) provided a summary of the work undertaken by Internal Audit from April to December 2009 which included performance information for the same period.

Mr Sykes indicated that from April to December, 14 final reports had been completed and action plans agreed where appropriate together with 8 follow up reports. In particular, Mr Sykes highlighted the 98% implementation rate for agreed recommendations for those follow up reviews completed in the period.

In brief, the report covered the following:

- Assurance on Internal Control
- Follow up work
- Special investigations and counter fraud work
- Projects, consultancy and advice

- Performance of Internal Audit

Mr Sykes advised the committee that a change to the Audit Plan had been agreed by Management Team, whereby the proposed purchasing audit was replaced by a review of officer's expenses and licensing of homes in multiple occupation.

Following discussion the Committee RESOLVED:

1. To note the Internal Audit Interim Report.
2. To request an updated report to the next appropriate meeting of the committee detailing those areas where actions are not fully embodied.

#### 9. Effectiveness of Internal Audit

Savile Sykes (Head of Internal Audit) presented a report on the findings of a peer review on the effectiveness of Internal Audit undertaken with Wyre Borough Council.

It was reported that a review of Internal Audit effectiveness was required as part of satisfying the overall governance arrangements in local authorities and supporting the Council's Annual Governance Statement.

The CIPFA Code of Practice for Internal audit checklist was completed to indicate full, partial or non compliance with the Code. A total of eleven enhancements arose from the initial exercise and the action plan indicating the current implementation position was circulated with the agenda. In accordance with the target completion dates ten of the improvements had been implemented and the final action was due for completion by March 2010.

Mr Sykes further reported that a formal statement issued in respect of the peer review together with the supplementary action plan was also circulated with the agenda. The review indicated that internal audit had achieved substantial compliance with the Code.

Following consideration of the report it was RESOLVED:

1. To note the findings of the peer review on the effectiveness of Internal Audit and confirm the conclusion that there is substantial compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.
2. To note the progress in implementing the associated action plan.

#### 10. Local Performance Indicators for Internal Audit

Savile Sykes (Head of Internal Audit) presented the committee with an updated report on an exercise that had been carried out to canvass the views of stakeholders in developing a new suite of performance indicators (to comply with the Code of Practice for internal Audit in Local Government 2006)

Mr Sykes indicated that all senior managers across the Council, together with the Chairman/Vice Chairman of Audit Committee and members of the audit team were surveyed to seek views about adopting a suite of performance measures with stakeholder support that would be monitored and reported to the Audit Committee and Management Team.

It was explained that those completing the survey were given a choice of fifteen possible indicators and asked to score each of them according to whether they considered it would be: very useful, useful, neither useful nor not useful, not very useful or not at all useful in measuring the performance, quality and effectiveness of internal audit.

The full survey results were included in a table attached to the report.

The report also included suggested performance indicator targets for 2010/11.

The Committee RESOLVED:

1. To note the results of the stakeholder survey of performance indicators for internal audit and confirm the suite of indicators established
2. To note the performance targets set for the coming financial year.

#### 11. Follow Up Reports 2008- 09 (Update)

At the request of the Committee at its meeting in June 2009, Savile Sykes (Head of Internal Audit) presented an updated report detailing the number of high and medium category recommendations that were still outstanding as at 31 December 2009.

Mr Sykes explained that that of the 29 agreed high and medium recommendations that were reported as outstanding in September, only 24 actions were now outstanding (all of which were a medium priority) He added that these changes increased the overall annual rate of implementation from 79% to 83%. The rate of implementation for high and medium recommendations had also increased from the original reported figure of 75% to 83%

The table set out in the report detailed the total number of agreed high and medium recommendations that had now been implemented by managers from follow up reviews in 2008/09.

Councillor Aitken commented that it would be helpful to receive feedback on the completion of the Vehicles and Plant actions.

Following consideration it was RESOLVED to note the latest position with regard to each of the agreed internal audit recommendations not implemented by management arising from follow up work in 2008-09.

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