



Civic Centre,
Arnot Hill Park,
Arnold,
Nottinghamshire,
NG5 6LU

Agenda

Audit Committee

Date: **Tuesday 14 January 2020**

Time: **5.30 pm**

Place: **Committee Room**

For any further information please contact:

Alec Dubberley

Service Manager Democratic Services

0115 901 3906

Audit Committee

Membership

Chair	Councillor Bob Collis
Vice-Chair	Councillor Meredith Lawrence
	Councillor Liz Clunie
	Councillor Boyd Elliott
	Councillor Kathryn Fox
	Councillor Helen Greensmith
	Councillor Jennifer Thomas

AGENDA

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- 1 **Apologies for Absence and Substitutions.**
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- 7 **Counter Fraud and Corruption Strategy and Whistleblowing Policy and Procedure** 63 - 107
Report of the Deputy Chief Executive and Director of Finance.
- 8 **Any other item which the Chair considers urgent.**

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MINUTES AUDIT COMMITTEE

Tuesday 23 July 2019

Councillor Bob Collis (Chair)

Councillor Meredith Lawrence Councillor Kathryn Fox
Councillor Liz Clunie Councillor Helen Greensmith
Councillor Boyd Elliott

Absent: Councillor Jennifer Thomas

Officers in Attendance: A Ball, C Goodall and M Hill

11 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

Apologies were received from Councillor Thomas.

12 DECLARATION OF INTERESTS.

None.

**13 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE
MEETING HELD ON 28 MAY 2019**

RESOLVED:

That the minutes of the above meeting, having been circulated, be approved as a correct record.

14 MAZARS EXTERNAL AUDIT REPORT 2018/19

Alison Pipes, Audit Manager for Mazars introduced the External Audit Report for 2018/19, which had been circulated prior to the meeting, informing members of the key findings arising from audit work for the period.

RESOLVED

To note the Mazars external audit report for 2018/19.

**15 ANNUAL GOVERNANCE STATEMENT AND STATEMENT OF
ACCOUNTS 2018/19**

The Deputy Chief Executive and Director of Finance introduced a report ,which had been circulated prior to the meeting, seeking approval of the Council's Annual Governance Statement for 2018/19 and the Statement of Accounts for 2018/19.

RESOLVED:

- 1) To approve the Annual Governance Statement for 2018/19 at Appendix 1 to the report;
- 2) That following approval of the Annual Governance Statement, to consider the Statement of Accounts for 2018/19;
- 3) To approve the Statement of Accounts for 2018/19, at Appendix 2 to the report, subject to the satisfactory conclusion of the audit with no material amendments;
- 4) To note the Narrative Statement on pages 3 to 15 of the Statement of Accounts at Appendix 2 to the report;
- 5) To agree the Letter of Representation at appendix 3 to the report; and
- 6) To delegate authority to the Deputy Chief Executive and Director of Finance to make any minor changes necessary prior to publication of the Statement of Accounts and the Annual Governance Statement. Such changes will not alter the material content of Appendix 2 to the report.

16 CORPORATE RISK MANAGEMENT SCORECARD

The Service Manager Financial Services introduced a report which had been circulated prior to the meeting, updating members on the current level of assurance that can be provided against each corporate risk.

RESOLVED:

To note the progress of actions identified within the Corporate Risk Register.

17 INTERNAL AUDIT PROGRESS REPORT 2019/20

The Deputy Chief Executive and Director of Finance introduced a report, which had been circulated prior to the meeting, summarising the outcome of the internal audit activity completed by the RSM Internal Audit Team for the period April 2019 to June 2019.

RESOLVED:

To note the actions taken or to be taken.

18 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 6.05 pm

Signed by Chair:
Date:

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Report to Audit Committee

Subject: Mazars Annual Audit Letter 2018/19
Date: 14 January 2020
Author: Deputy Chief Executive and Director of Finance

1. Purpose of the Report

To inform Members of the outcome of the external audit work in respect of 2018/19.

Recommendations:

That Members:

- accept the Mazars Annual Audit Letter for 2018/19 (Appendix 1) and refer it to Council for information.

2. Background

The external auditor's Annual Audit Letter summarises the outcomes from the audit work at Gedling Borough Council in relation to the 2018/19 audit year. Although it is addressed to the Council it is designed to be read by a wider audience, including members of the public and other external stakeholders, and will be placed on the Authority's website

3. Proposal

As external auditors, Mazars have concluded their audit work for 2018/19 and outcomes are summarised in the Annual Audit Letter attached at Appendix 1. The letter confirms that an unqualified audit opinion was issued in respect of both the Council's Financial Statements and the Value for Money arrangements. In addition, it confirms that they did not have to issue a public interest report and did not have to exercise any other audit powers

under the Local Audit & Accountability Act 2014 during the course of the audit.

Section 5 of the Annual Audit Letter summarises the audit fees for the audit work. The final fee for the 2018/19 audit of the Authority was £32,779 plus additional fees for work relating to:

- the prior period adjustment required to correct measurements previously used in property valuations which was agreed at £3,402;
- the review of the pension liability arising from the actuarial impact of the McCloud judgement which was agreed at £750.

It is proposed that the letter is accepted and be recommended to full Council.

4. Financial Implications

There are no specific resource implications arising from this report.

5. Appendices

Appendix 1 - Mazars Annual Audit Letter 2018/19.

Annual Audit Letter

Gedling Borough Council

Year ending 31 March 2019





CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Gedling Borough Council (the Council) for the year ended 31 March 2019. Although this letter is addressed to the Council it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that:</p> <ul style="list-style-type: none">• The other information in the Statement of Accounts is consistent with the audited financial statements.
Value for Money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, on 31 July 2019 we reported to the group auditor in line with the requirements applicable to the Council's Whole of Government Accounts (WGA) return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Revenue Expenditure at a Surplus/Deficit on Provision of Services level.	£1,068,000
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£32,000
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: <ul style="list-style-type: none">• Officers' Remuneration• Members' Allowances• Audit Fee	£5,000 per individual officer £36,000 £4,000

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • documenting our understanding of the processes and controls in place to mitigate the risks identified; • testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • evaluating the business rationale for any significant transactions outside the course of the business; • understanding the oversight given by those charged with governance of management process over fraud; • making enquiries of management and Internal Audit regarding actual or any suspicions of fraud; and • considering whether the Council's accounting policies are consistent with industry standards. 	<p>There were no matters arising from our work on management override of controls.</p>
<p>Valuation of property, plant and equipment</p> <p>The Council's accounts contain material balances relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to the high degree of estimation uncertainty associated with those held at valuation, we determined there was a significant risk in this area.</p>	<p>We addressed this risk through:</p> <ul style="list-style-type: none"> • reconciling valuations from the valuer's report to those recorded in the Fixed Asset Register; • testing a sample of assets valued during the year to valuation reports; • where material, testing the basis for impairment of assets, the value and correct accounting treatment; • critically assessing the Council's valuer's scope of work and methodology used; and • considering the impact of any assets not valued during the year. <p>We also reviewed the Prior Period Adjustment on PPE to ensure it was accounted for correctly.</p>	<p>The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Identified significant risk	Our response	Our findings and conclusions
<p>Defined benefit liability valuation</p> <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there was a significant risk in this area.</p>	<p>We addressed this risk through:</p> <ul style="list-style-type: none"> • Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. • Critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham; • Liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; and • Performing a walkthrough of payroll transactions at the Council to understand how pension contributions which are deducted and paid to the Pension Fund by the Council. 	<p>Our work provided the assurance sought and we were satisfied the local government pensions liability was not materially misstated.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any significant deficiencies in internal control as part of our audit.

3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Unqualified

Our approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Completion Report, we reported that we had identified a single significant Value for Money risk. The work we completed in relation to the significant audit risk is outlined on the following page, which supported our auditor's report, issued to the Council on 31 July 2019, that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019.

VALUE FOR MONEY: SIGNIFICANT AUDIT RISK

Risk	Work undertaken	Conclusion
<p>Delivery of Budgets and Financial Resilience</p>		
<p>The continual pressures on Local Government finances are well documented and led to another challenging budget setting process for 2018/19. The Authority approved a balanced budget in March 2018 which required the use of £1.278 of General Fund Balances to fund the budget deficit.</p>	<p>We have critically reviewed whether the Council has arrangements in place to ensure financial resilience, specifically that the MTFP has duly taken into consideration the latest available information on factors such as:</p>	<p>Having completed our planned procedures, we are satisfied that, in all material respects, the Council's arrangements to deliver balanced budgets and ensure financial resilience are adequate.</p>
<p>The latest month 9 forecast shows the Council are expecting to achieve a £243k underspend against the revenue budget which will reduce the required contribution from the General fund to £1.036m. This saving represents 2% of the original budget of £12,145,200. In addition the Council is expecting a year end capital outturn of £4.956m against the original budget of £9.776m, the reduction in the main due to deferrals on large projects, including the £2.5m commercial property fund which will be used to generate income streams for the Council from 2019/20 onwards.</p>	<ul style="list-style-type: none"> •funding reductions; •business rate reform; •fair funding; •salary and general inflation; •demand pressures; •restructuring costs; and •sensitivity analysis given the degree of variability in the above factors. 	<p>We have reviewed the year end outturn position reported to cabinet on the 24 May. This shows that the Council achieved a General Fund underspend of £151,565. Additional income was also received from business rates and revenue support grant enabling a £269k saving on transfers from the General fund Balance (£767k instead of £1.036m) which can be used to support future budgets and the MTFP. In addition the Council were able to make more contributions to earmarked reserves than they anticipated.</p>
<p>The MTFP also shows the Council identified the need to make savings of £2.8m between 2018/19 to 2022/23, of which £1.187m are expected in 2018/19. It is projected that £1.047m of this will be delivered this financial year with £140k to be deferred until 2019/20. Even with these savings the Council still need to utilise balances each year to manage the funding gap. As a result the 2018/19 budget approved by Council in March 2018 approved an additional efficiency target of £1.1m from 2019/20 to 2022/23, weighted more towards the end of this period. If achieved this will reduce the burden on the use of reserves.</p>	<p>We have reviewed the progress of saving plans and ongoing funding plans.</p>	<p>Efficiencies and budget savings will still continue to be required and monitored as part of the budget process and MTFP. Moving forward efficiency savings of £1.395m have been set from 2019/20 to 2022/23 with £472k required in 2019/20.</p>
<p>There will be significant changes in Local Government finances over the next few years, which will culminate in a major change in the way Local Government is financed from 2020/21 onwards. These include the 2019 Spending Review, the Fair Funding Review and the introduction of 75% local retention of business rates (up from 50% retention). As a result, the need to identify and monitor savings (or achieve income generation) will continue to have a significant impact on the Authority's financial resilience and reduce the burden on the need to utilise reserves to plug any deficits in the budget.</p>	<p>We have reviewed the planned use of the commercial investment fund moving forward and evaluated how the Council ensure commercialisation schemes utilised for revenue generation do not open the Council to unnecessary VFM risks.</p>	<p>The Council recognises that in addition to making savings and increasing income the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. Over the three years to 2021/22, the level of general reserves remains above the Council's minimum level of 7.5% of projected expenditure (reducing from a £2.8m surplus on balances to a £1.6m surplus over this period) and it is over this period, we judge it most relevant to base our Value for Money Conclusion on. However as the Council moves into 2023/24, the level of reserves drop to £1.6m although this still represents a £0.8m surplus above the required target.</p>

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Consistent
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 31 July 2019.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit Committee in March 2019.

We have completed our work for the 2018/19 financial year, but at the time of producing this report, we have not yet finalised our audit fees for the year. We carried out additional work to address the risk of material misstatement on the Council's pension liability, arising from the actuarial impact of GMP and McCloud, resulting in an additional fee of £750. In addition we have agreed an additional fee of £3402 for the work undertaken on the Prior Period Adjustment relating to PPE with the Deputy Chief Executive and Director of Finance. These fee variations require the approval of Public Sector Audit Appointments Limited, which manages the contracts for our work before finalising the audit fee.

Area of work	2018/19 proposed fee	2018/19 final fee ***
Delivery of audit work under the NAO Code of Audit Practice	£32,779 plus VAT	£36,931 plus VAT

*** Please note that at the time of producing this report, the additional audit fee for the work required to audit the Prior Period Adjustment and for the additional pensions work relating to McCloud/GMP has yet to be agreed or receive PSAA approval.

Fees for non-PSAA work

We have not completed any non-PSAA work.

6. FORWARD LOOK

Audit Developments

Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>).

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

Financial Resilience

Fair Funding Review

The Council will need to incorporate the outcome of the Spending Review, due in the latter half of 2019, to its Medium Term Financial Plan. The Spending Review will set out the department allocations for 2020/21 and potentially beyond. Regardless of the timing and period covered by the Spending Review, the Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge the funding gap through planned expenditure reductions and/ or income generation schemes.

Local Authority Financial Resilience Index

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

Commercialisation

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council's appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect local authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property; and
- the arrangements for loan repayment through the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

Financial Reporting

UK Local Government Annual Accounts

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

Lease accounting

The implementation of IFRS 16 Leases in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.

6. FORWARD LOOK (CONTINUED)

Next year's audit and how we will work with the Council

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support the Council by:

- continued liaison with the Council's Internal Auditors to minimise duplication of work;
- Attending Audit Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with the Council to identify any learning from the 2018/19 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

The Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit.

CONTACT

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Report to Audit Committee

Subject: Internal Audit Progress Report 2019/20

Date: 14 January 2020

Author: Chris Williams – Head of Internal Audit (RSM)

Purpose To summarise the outcome of the internal audit activity completed by the RSM Internal Audit Team for the period July 2019 to December 2019.

Recommendation(s)

THAT:

1) Members receive the Report and note actions taken or to be taken.

1 Background

1.1 The Internal Audit Plan 2019/20 was approved by the Audit Committee on 19 March 2019. This report provides a summary update on the final report issued by RSM in the period July 2019 to November 2019 and highlights associated key findings and any concerns identified in any work in progress.

2 Proposal

2.1 The following reports have been finalised since the last Audit Committee meeting:

2019/20 Report (Final)

- Safeguarding (1.19/20);
- Emergency Planning (3.19/20);
- Building Control (4.19/20);
- Follow Up 1 (5.19/20);
- Corporate Governance (6.19/20);
- Debtors and Debt Recovery (7.19/20);
- Cash and Banking (8.19/20);

- Main Accounting (10.19/20);
- Apprenticeship Levy (12.19/20);
- Housing Benefits, Universal Credit and Council Tax Reduction Scheme (13.19/20);
- Payroll and Expenses (14.19/20); and
- Council Tax (15.19/20).

2019/20 Reports (Draft)

- Leisure Centres (9.19/20);
- IT General Controls (11.19/20);

2019/20 Audit (In Progress)

- Pre-Application Advice.

3 Resource Implications

3.1 The Internal Audit Plan is delivered within the approved budgets.

4 Appendices

4.1 RSM Internal Audit Progress Report 2019/20.



GEDLING BOROUGH COUNCIL

Internal Audit Progress Report

Audit Committee

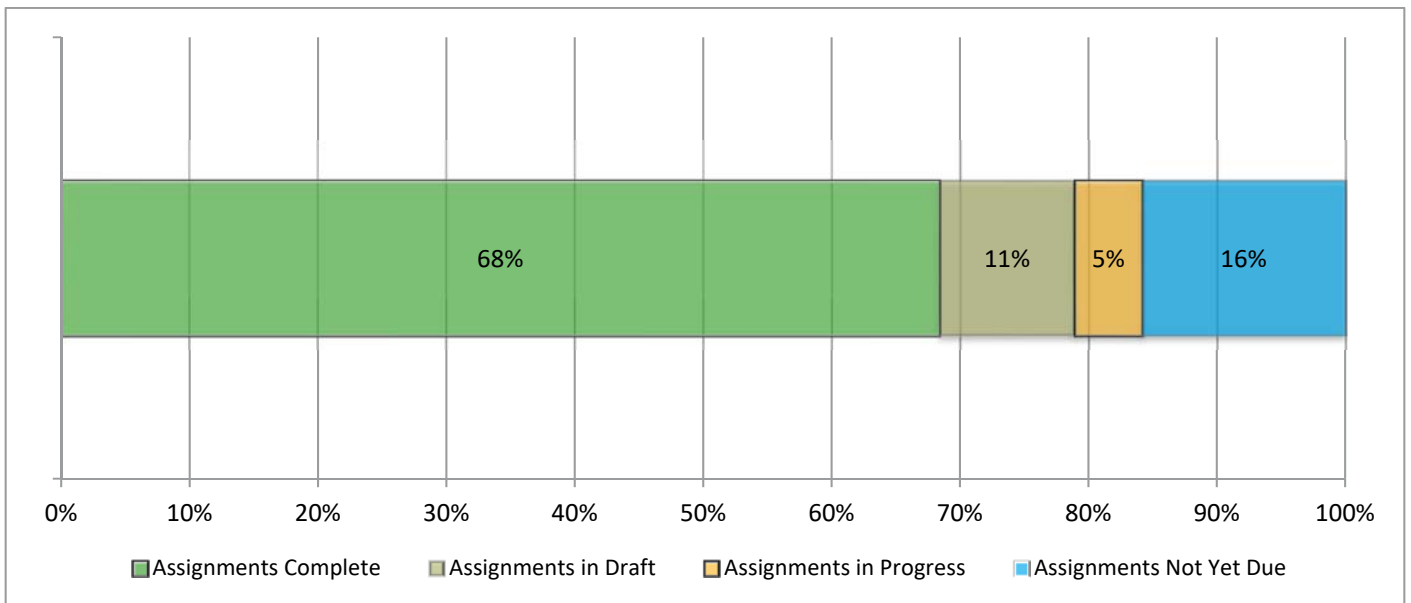
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1 INTRODUCTION

The Internal Audit Plan for 2019/20 was approved by the Audit Committee on 19 March 2019. Below provides a summary update on progress against that plan and summarises the results of our work to date. Please see chart below for current progress with the Plan.



2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This table informs of the audit assignment that has been completed and the impacts of those findings since the last Audit Committee held. The Executive Summary and Key Findings of the assignment below is attached to this progress report.

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Safeguarding (1.19/20)	Final		3	3	0
Emergency Planning and Business Continuity (3.19/20)	Final		1	1	0
Building Control (4.19/20)	Final		0	1	0
Follow Up 1 (5.19/20)	Final	Good Progress	3	3	0
Corporate Governance (6.19/20)	Final		3	1	0
Debtors and Debt Recovery (7.19/20)	Final		0	1	0
Cash and Banking (8.19/20)	Final		1	1	0
Main Accounting System (10.19/20)	Final		1	1	0

Apprenticeship Levy (12.19/20)	Final		0	1	0
Housing Benefits, Universal Credit and Council Tax Reduction Scheme (13.19/20)	Final		3	1	0
Payroll and Expenses (14.19/20)	Final		0	0	0
Council Tax (15.19/20)	Final		0	2	0

2.1 Impact of findings to date



Safeguarding (1.19/20)

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, three 'medium' and three 'low' priority findings were identified. Management actions were agreed in respect of all the findings.

The medium priority findings relate to:

- Sample testing of 20 new starters in regulated roles identified two instances where DBS Certificates were not maintained on file by the Council.
- Information on safeguarding is not displayed in the Civic Centre and no information on safeguarding is provided on the Council's website.
- A total of 80 safeguarding cases remained "open" on the Safeguarding Database. Many had been resolved but the system had not been updated by individuals responsible.



Emergency Planning and Business Continuity (3.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one 'medium' and one 'low' priority findings were identified. Management actions were agreed in respect of both findings.

The medium priority finding relates to:

- Service areas within the Council had not completed a Business Impact Analysis and created a Business Continuity Plan and Recovery Action Plan.



Building Control (4.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one 'medium' priority finding was identified. A management action was agreed in respect of the finding.

The medium priority finding relates to:

- Site inspections had commenced prior to the customer being invoiced for the inspection phase of the application.



Follow Up 1 (5.19/20)

Conclusion: Good Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken, three 'medium' and three 'low' priority findings were re-raised. Management actions were agreed in respect of all the findings. Details are shown in the Action Plan attached to this report.



Corporate Governance (6.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one 'medium' and three 'low' priority findings were identified. Management actions were agreed in respect of all the findings.

The medium priority finding relates to:

- A Register of Interests for all staff is not in place at the Council.



Debtors and Debt Recovery (7.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one 'medium' priority finding was identified. A management action was agreed in respect of the finding.

The medium priority finding relates to:

- Sample testing of 20 aged debts identified two instances where escalation was not carried out in a timely manner.



Cash and Banking (8.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one 'medium' and one 'low' priority findings were identified. Management actions were agreed in respect of both findings.

The medium priority finding relates to:

- Testing of 83 Flea Market stall's income identified that in three instances receipts were unclear and in one instance a receipt was not maintained and therefore could not be matched to the daily bankings taken.



Main Accounting System (10.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one 'medium' and one 'low' priority findings were identified. Management actions were agreed in respect of both findings.

The medium priority finding relates to:

- Testing a sample of 20 virements identified four instances where the virement was processed prior to full authorisation and one instance where it could not be confirmed authorisation was prior to the processing of the virement.



Apprenticeship Levy (12.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one 'medium' priority finding was identified. A management action was agreed in respect of the finding.

The medium priority finding relates to:

- The Council currently expects its apprenticeships to be completed in 15 months and this is reflected in the start and end dates recorded in the ILR and in the Apprenticeship agreement. We found that all the apprentices tested had a planned end date of either 28 February 2019 or 30 April 2019. However, at the time of audit, none of these apprentices have completed their apprenticeships. To have not completed, some six months after the expected end date, implies either that the planned duration of the apprenticeship is not realistic or that apprentices are not making the expected progress through their learning. The ESFA expects apprenticeship start and end dates to realistically reflect the time taken to deliver the required training. Once an apprenticeship passes its planned end date, no further funding can be claimed except for the completion payment, payable only after successful completion of the apprenticeship and the EPA.



Housing Benefits, Universal Credit and Council Tax Reduction Scheme (13.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, one 'medium' and three 'low' priority findings were identified. Management actions were agreed in respect of all the findings.

The medium priority finding relates to:

- A weekly reconciliation of cheques and BACS payments is made against the expected payment reports from Civica, before being processed and paid to claimants. There is segregation of duties throughout the process and any variances are investigated. Testing of the last 10 weeks BACS payments identified one week where the BACS process was conducted, authorised and paid by one member of staff. However, mitigating circumstances were present due to annual leave and illnesses in the team.



Payroll and Expenses (14.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

We did not consider it necessary to raise any management actions as a result of this audit.



Council Tax (15.19/20)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, two 'medium' priority findings were identified. Management actions were agreed in respect of both findings.

The medium priority findings relate to:

- Testing a sample of new liabilities within the current financial year identified three instances where notifications of new liabilities had been processed outside of the set 14-day period.
 - Testing a sample of refunds within the current financial year identified one instance where a refund batch had not been signed by an approver.
-

3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2019/20	Status	Target Audit Committee per the IA Plan 2019/20
Leisure Centres	Quarter 2	Draft Report Issued	November 2019
IT General Controls	Quarter 2	Draft Report Issued	November 2019
Recruitment and Retention *	Quarter 3	Not Yet Due	March 2020
Pre-Application Advice	Quarter 3	In Progress	March 2020
Risk Management	Quarter 4	Not Yet Due	March 2020
Follow Up 2	Quarter 4	Not Yet Due	March 2020

* See Section 4.1 for changes to audit timings.

4 OTHER MATTERS

4.1 Changes to the audit plan

It has been agreed with Management to bring forward the 'Main Accounting System' review to Quarter 2, move the 'Council Tax' review to Quarter 3 and move the Recruitment and Retention review to Quarter 4.

4.2 Quality Assurance and Continual Improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams.

The Quality Assurance Team is made up of: Ross Wood (Manager, Quality Assurance Department) with support from other team members across the Department. All reports are reviewed by James Farmbrough as the Head of the Quality Assurance Department.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

4.3 Post Assignment Surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Currently, following the completion of each product we deliver we attached a brief survey for the client lead to complete.

We would like to give you the opportunity to consider how frequently you receive these feedback requests; and whether the current format works. Options available are:

- After each product (current option);
- Monthly / quarterly / annual feedback request; and
- Executive lead only, or executive lead and key team members.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Report previously seen by the Audit Committee and included for information purposes only:

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Flexible and Lone Working (02.19/20)	Final	Advisory	0	2	3

FOR FURTHER INFORMATION CONTACT

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This report is solely for the use of the persons to whom it is addressed. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Gedling Borough Council, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

HOUSING BENEFITS, UNIVERSAL CREDIT AND COUNCIL TAX REDUCTION SCHEME - EXECUTIVE SUMMARY

1.1 Background

An audit of Housing Benefits and the Council Tax Reduction Scheme (CTRS) was undertaken as part of the approved internal audit periodic plan for 2019/20. The purpose of the audit was to ensure that Housing Benefits and CTRS are processed accurately with the supporting documentation maintained on file to enable claimants to be paid on time.

Housing Benefit is a means tested social security benefit that is intended to help claimants meet their accommodation costs for rented properties and fees and can be paid directly to the claimant, the landlord or removed against their Council Tax for CTRS. The Service Manager – Revenues and Welfare Support Oversees the Housing Benefit function with day to day management being conducted by the Housing Welfare Support Manager.

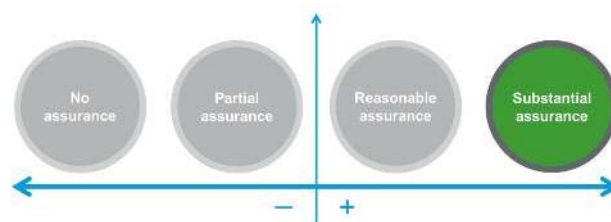
In this current financial year, to the date of the audit, the Council have processed 839 new claims for Housing Benefit and Council Tax Reduction, in which their average time for dealing with new claims has been 13 days. The Council's Housing Benefit function is managed through the Civica system, this allows for processing, monitoring, amending and making payments. The system also allows for the random selection of new claims and changes of circumstances to undergo a quality assurance check.

1.2 Conclusion

Our overall opinion was formed by undertaking interviews with key staff and sample testing on the processes in place to ensure that the controls upon which the Council relies on to manage the Housing Benefit and CTRS processes are being managed. Our review has confirmed that there is an adequate control framework in place, however, we have identified some control enhancements and non-adherence to controls. As such, a total of four management actions were agreed, consisting of one 'medium' and three 'low' priority actions.

Internal audit opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the Council relies to manage the identified area(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Monthly reporting of Key Performance Indicator (KPI) statistics is undertaken. These come out of the Business Plan which are presented to the Overview and Scrutiny Committee on a quarterly basis and Senior Leadership Team on a monthly basis. It was confirmed the statistics have been maintained up to date at the time of the audit.
- Access to the Benefits system is restricted to nominated employees with only authorised staff being able to amend the system parameters. Testing the 15 users confirmed they were current employees and were deemed to have appropriate access.

- On an annual basis, the parameters are set based on circulars released from the Department for Work and Pensions. These are manually input by the Housing and Welfare Support Manager and checked by additional members of staff for accuracy. These are then tested in a test environment prior to going live for the new financial year.
- A Council Tax reduction transfer is completed prior to the start of the year and the amounts are agreed to the Civica system. Three reports (Benefits Council Tax Reduction Scheme Report, Council Tax Financial Control Report and the Council Tax Transactional Control Report) are produced which should all reconcile to demonstrate the transfer has been successful.
- A new claim is processed following the receipt of adequate supporting documentation and assessed in accordance with legislation. The Council use an external organisation who will run a check on all new claims and assign them a risk score (low, medium, or high). This risk score determines the level of supporting documentation required. Testing 20 new claims confirmed a risk score was allocated and supporting documentation was maintained on file.
- Changes in circumstances are only processed within the system following receipt of adequate supporting documentation, which is received prior to the date of the change being processed. Testing 20 changes in circumstances confirmed supporting documentation was maintained on file and the change was processed accurately.
- A sample of applications are re-assessed by a different Officer to that completing the initial assessment to ensure that the Housing Benefit claim has been correctly processed in line with current legislation.
- Claimants of Housing Benefit and CTRS are able to raise an appeal if they are dissatisfied with the outcome of a claim or overpayment. They raise these direct to the Council via email, letter or through the Council's website. Appeals are reviewed by the Council and passed to Tribunal where required for resolution.
- Write-offs of overpayments that cannot be collected are recorded and authorised appropriately. All write-offs are authorised prior to the amount being written off on the system. Testing 20 write-offs confirmed in all instances that these were approved in line with Scheme of Delegation prior to the write-off being processed.
- The Council have in place a procedure for identifying and actioning write-ons. The procedure is made available to staff within the Overpayment Policy.
- A Housing Benefit Subsidy Claim is completed annually by the Housing and Welfare Support Manager and is authorised by the Section 151 Officer by the deadline of 30 April. It was confirmed the deadline was adhered to.
- The feed from the Civica system to the Agresso Financial Management system is reconciled on a monthly basis, the reconciliation is signed as completed and reviewed by an independent Officer. Testing five months reconciliations confirmed they were conducted and reviewed independently, in a timely manner and no unreconciling items were present.
- The Housing and Welfare Support Officer runs a report from the CTRS system on a monthly basis, reconciling to a transaction and financial report from the Civica system in order to ensure Council Tax balances are correct. Testing five months reconciliations confirmed they were conducted and reviewed independently, in a timely manner and no unreconciling items were present.

However, testing identified the following weakness in the Council's control framework. As a result, management actions have been agreed to be implemented to mitigate the associated risks:

- Through review, it was confirmed the Housing Benefit Direct Payment Policy, Discretionary Housing and Hardship Fund Payments Policy and Overpayments Policy were requiring updating as the review dates had passed.
- Benefits staff have completed declarations or statement of interests identifying relatives and close friends claiming benefits, their access to amend the accounts of these claimants has been restricted to view only. Testing a sample of 15 declarations of interest confirmed in 14 instances these had not been conducted annually in line with procedure. The remaining employee is on maternity leave and therefore has not completed the declaration of interest form.

- Overpayments have a reason documented and the claimant is notified. Recovery action is completed to recover Council owed funds. Testing a sample of 20 overpayments confirmed in one instance the notification to the claimant of recovery action had not been sent. This was due to the letter failing to produce and not being picked up from the system.
- A weekly reconciliation of cheques and BACS payments is made against the expected payment reports from Civica, before being processed and paid to claimants. There is segregation of duties throughout the process and any variances are investigated. Testing of the last 10 weeks BACS payments identified one week where the BACS process was conducted, authorised and paid by one member of staff. However, mitigating circumstances were present due to annual leave and illnesses in the team.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non-Compliance with controls*		Agreed Management Actions		
	0	(17)	4	(17)	Low	Medium	High
Housing Benefits, Universal Credit and Council Tax Reduction Scheme	0	(17)	4	(17)	3	1	0
Total					3	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
42	A weekly reconciliation of cheques and BACS payments is made against the expected payment reports from Civica, before being processed and paid to claimants. There is segregation of duties throughout the process and any variances are investigated.	Yes	No	<p>Testing of the last 10 weeks BACS payments confirmed in nine instances segregation of duties was apparent throughout the process with two members of staff involved in preparing, authorising and submitting the BACS payments. It was confirmed the values matched on all reports and independent spot checks of bank details were conducted.</p> <p>However, in one instance the whole BACS run was prepared, authorised and submitted by one Team Leader. This was due to absence of the other Team Leader and Housing and Welfare Support Manager.</p> <p>There is a risk errors and omissions may not be detected without the</p>	Medium	Where absences occur with Team Leaders or the Housing and Welfare Support Manager, an additional member of staff will be used to check the values on the BACS reports to ensure these are consistent throughout the BACS run.	30 November 2019	Housing and Welfare Support Manager

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>independent review of the BACS process.</p> <p>A weekly reconciliation of cheques and BACS payments is made against the expected payment reports from Civica, before being processed and paid to claimants. There is segregation of duties throughout the process and any variances are investigated.</p>				

PAYROLL AND EXPENSES - EXECUTIVE SUMMARY

1.1 Background

A review of payroll and expenses was undertaken as part of the approved internal audit plan for 2019/20.

The Council's payroll is managed using the Resource Link system provided by Northgate. Resource Link is an integrated system, including both a human resources and a payroll module. Standard forms have been developed for use by staff members, including new starter and leaver forms.

The majority of the Council's employees have access to 'My View', providing electronic access to payslips and allowing amendments to personal details to be processed as and when required. Certain staff members who do not have IT access as part of their role are provided with physical paper payslips.

Segregation of duties is maintained, with forms authorised by an appropriate officer prior to arrival in the payroll function and data input onto the payroll system is reviewed by an independent officer. In addition, full details of all new starters and leavers is provided by the Personnel Manager and payroll processing staff take no part in the personnel function. In the month of September 2019, 618 members of staff were processed for payment totalling around £724,000.

The payroll function is overseen by the Senior Assistant Accountant (Exchequer Management) with the day-to-day processing carried out by the Assistant Accountant (Payroll Management) and the Payroll Assistant.

In addition to processing the Council's payroll, the processing of payroll on behalf of Rushcliffe Borough Council is carried out and a formal Service Level Agreement is in place between the two authorities. Separate payrolls are produced for over 300 employees at Rushcliffe Borough Council.

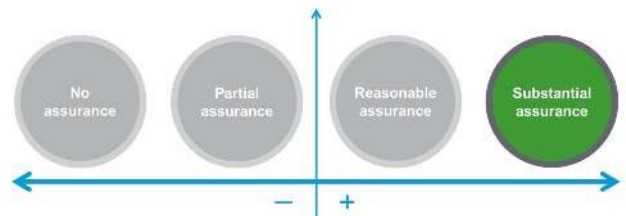
1.2 Conclusion

There is an appropriate control framework in place for payroll. Our audit review has confirmed that the general control framework relating to payroll is robust and operating effectively. We identified no issues that required us to comment upon or to raise management actions that would require improvement actions to be taken.

As part of this review we have used data analytics software (IDEA) to provide insight into payroll data and ensuring accuracy in the Council's payroll. No exceptions were found as a result of this testing.

Internal audit opinion:

Taking account of the issues identified, the Council can take **substantial assurance** that the controls upon which the organisation relies to manage the identified area are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Detailed procedure notes are in place providing staff with guidance on how to process expense claims, overtime and how to process the payroll.
- An authorised signatories list is in place, detailing those staff permitted to authorise starters, leavers, amendments, expenses and payments.
- Access to the Resource Link system is restricted to authorised personnel and through testing a sample of 10 members of staff it was confirmed they were all current employees.
- Starters and leavers checklists are completed for all employees joining or leaving the Council with built in checks and segregation of duties to ensure accurate and timely processing.
- Testing a sample of 20 starters and leavers found appropriate documentation had been completed and maintained on file.
- Testing a sample of 20 involuntary and five voluntary deductions identified in all instances these were processed on receipt of appropriate notification and these are retained on file.
- A sample of 20 additional payments were reviewed. In all instances a supporting notification form had been maintained on file for each claim which had been appropriately authorised by a line manager.
- Sample testing of 20 expense claims confirmed all instances were appropriately authorised with supporting documentation maintained on file and checking to the payslip confirmed the amount matched.
- For all BACS payments completed during the current financial year, it was confirmed an exception report had been produced and reviewed and the BACS had been authorised in line with delegated authorities with segregation of duties apparent.
- Exception reports are produced each month which identifies variances to the previous months' payroll. Variances are investigated, and it was confirmed for the six months tested in the current financial year, this report had been produced and signed as evidence of review.
- Monthly P32 payments are made to the HMRC as required prior to the 22nd of the following tax month. The P32 payments include all PAYE, student loan deductions and National Insurance contributions for the month in question.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed management actions		
	0	(26)	0	(26)	Low	Medium	High
Payroll and Expenses	0	(26)	0	(26)	0	0	0
Total	0	0	0	0	0	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

COUNCIL TAX - EXECUTIVE SUMMARY

1.1 Background

A review of Council Tax was undertaken at Gedling Borough Council (the Council) as part of the approved internal audit periodic plan for 2019/20.

Council Tax is a local taxation system used in England, Scotland and Wales, introduced by the Local Government Finance Act 1992. The Local Government Finance Act 1988 provided an administrative framework for assessing and billing non-domestic rates.

The Valuation Office Agency (VOA) is an executive agency of HM Revenue & Customs (HMRC) and provides the Government with valuations and property advice required for taxation and benefits. The VOA compiles and maintains lists of Council tax bands and details the rateable value of non-domestic properties for business rates. Changes to these bands and values are notified by collecting authorities such as the Council on an ongoing basis for them to action.

The Council serves as a billing authority for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and eleven parish councils. During the financial year of 2018/19 the Council collected £68m of Council tax, with £5.7m retained for its own services. This represented a collection of 98.5 per cent of Council tax due for the year.

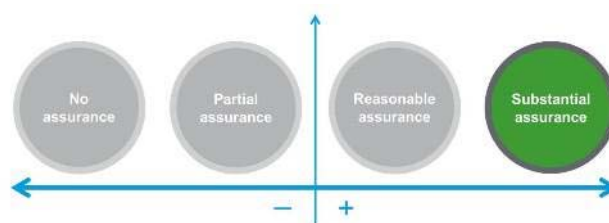
Write offs are processed in batches and are approved by the Deputy Chief Executive and Director of Finance. At the time of audit, £33,095.70 was written off for Council tax since the start of the current financial year.

1.2 Conclusion

The review of Council Tax identified that overall the control framework is well designed and operating effectively. However, two weaknesses in compliance with the established control framework have been identified which has resulted in two medium priority management action being agreed. The reported exceptions relate to the setting up of new liabilities and the authorisation of refund payment batches.

Internal audit opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the Council relies to manage the identified area is suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Our audit review identified that the following controls are suitably designed, consistently applied and are operating effectively:

- The Council has a Fair Collection and Debt Recovery Policy in place. The policy provides provide guidance to staff, members and customers for the effective payment and recovery of Council Tax debts.
- Procedure notes are in place for the Revenues Department. The procedure notes set out the processes for key daily tasks undertaken by the department.

- The Council Tax Base and Rates are approved annually by Council. The Council Tax Base and Rates for the year ending 31 March 2020 were approved by Council at its meeting on 04 March 2019.
- Billing parameters in relation to precepts and charges are accurately inputted within the Civica System on an annual basis.
- Council Tax staff members complete an annual declaration stating any conflicts of interest. A Register of Interests is maintained on file by the Revenues Department and is updated on an ongoing basis.
- Systems access is restricted for staff with Council Tax accounts in the Borough. Access is blocked for personal accounts and the accounts of any declared interests.
- Access to the Council Tax Module within the Civica System is limited to current members of staff in line with their job roles and responsibilities. Leavers are disabled and removed from the system in a timely manner.
- A Revenues Services Recovery Calendar is in place which sets out the dates by which key tasks should be actioned in relation to Council Tax debt recovery.
- Council Tax demands are issued on an annual basis during March each year. A reconciliation is completed between the Civica System and number of bills issued to ensure that the correct number and value of demand notices were issued.
- All discounts, exemptions and reliefs are granted, in accordance with the eligibility requirements specified in Government eligibility guidance. The claims are granted following receipt of suitable supporting evidence, in line with the figures approved by Council. All supporting evidence is maintained on the Civica system.
- The Revenues Department proposes write offs on an on-going basis. Proposed write offs are batched together and sent for approval on a monthly basis. Appropriate approval based on the write off value is received prior to being actioned within the Civica System.
- Monthly reconciliations between the Civica and Agresso Finance System are completed for all Council Tax payments and refunds. Reconciliations are completed in a timely manner and reviewed by the Revenues Team Leader.
- The Valuation Office Agency (VOA) issues a schedule of changes to rating valuations on a weekly basis. A reconciliation is completed between the schedule and Council Tax standing data and all variances are identified and rectified.
- Each month a report is sent to the Revenues Department by the Planning and Building Control Departments detailing any new commencements or completions of dwellings. This allows the Revenues Department to identify any new properties/businesses within the area which are currently liable or will be liable for Council Tax at a future date.
- Void properties are inspected by the Revenues Department's dedicated property inspector on a cyclical basis to ensure that Council Tax liability is promptly identified and actioned by the Revenues Department.
- Council Tax debts are recovered in accordance with the Fair Collection and Debt Recovery Policy and the Revenues Services Recovery Calendar. First, second and final reminder letters are issued in a timely manner. If arrears continue to persist, the Council will transfer the debt to a collection agent or apply for a liability order.
- The Revenues Department carries out an annual canvassing exercise on applied discounts, exemptions and reliefs to ensure they are still valid and applicable.

However, the following areas of non-compliance with the established control framework were identified:

- Testing a sample of new liabilities within the current financial year identified three instances where notifications of new liabilities had been processed outside of the set 14-day period.
- Testing a sample of refunds within the current financial year identified one instance where a refund batch had not been signed by an approver.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed management actions		
	Low	Medium	High	Low	Medium	High	
Council Tax	0	(18)	2	(18)	0	2	0
Total	0				0	2	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Page 49 Area: Council Tax	<p>New accounts are set up with 14 days of the Council receiving the new liability notification.</p> <p>Once a new account has been created, a demand notice is issued within 24 hours of the liability being processed.</p>	Yes	No	<p>A sample of 20 new liabilities were selected and tested from the current financial year.</p> <p>In 16 instances it was confirmed that the new liability notification had been processed and set up on the Civica system within the set 14-day period.</p> <p>One instance was noted where a notification had not been processed for a period of 16 days, however, it was confirmed that this was due to delay in the applicant providing information requested by the Council.</p> <p>However, three instances were noted where notifications of new liabilities had been processed outside of the set 14-day period, with the longest delay being 20 days.</p>	Medium	All new liabilities will be processed and set up on the Civica system within 14 days of the Council receiving original notification.	31 December 2019	Revenues Manager

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				If new liabilities are not processed within the set 14-day period following notification to the Council, there is a risk that demand notices will not be issued in a timely manner.				
2	Refunds arising from over-payments or adjustments to circumstances and rateable values are authorised by the Service Manager - Revenues and Welfare Support. All supporting documentation for refunds is maintained on the Civica System.	Yes	No	<p>A sample of 20 refunds were selected and tested from the current financial year.</p> <p>In all instances supporting evidence had been maintained on file within the Civica System to support the refund request.</p> <p>in 19 instances it was confirmed that the relevant refund batches had been appropriately approved prior to the refunds being processed for payment.</p> <p>However, one instance was noted where a refund batch had not been signed by an approver.</p> <p>Through further investigation it was confirmed that the report had been reviewed by the Service Manager - Revenues and Welfare Support and emailed to the Creditors Department for processing.</p> <p>If refund batches are not reviewed and authorised prior to payment there is a risk of inappropriate payments being made, resulting in financial loss to the Council.</p> <p>Additionally, it was noted that the refund batches are being signed off via a picture of an electronic signature. This is not a secure method of authorising the refund batch reports and poses a risk of the electronic signature being used by someone who is not an approver, due to a lack of authentication.</p>	Medium	All refund batches will be authorised via email and the evidence of authorisation will be retained on file.	31 December 2019	Deputy Chief Executive and Director of Finance



Report to Audit Committee

Subject: Corporate Risk Management Scorecard

Date: 14 January 2020

Author: Deputy Chief Executive and Director of Finance

1. Purpose of the Report

To update members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.

Recommendations:

That Members:

- note the progress of actions identified within the Corporate Risk Register.

2. Background

The current Risk Management Strategy & Framework was last considered and approved by the Cabinet in October 2017.

The purpose of the Strategy and Framework is to define how risks are managed by the Council. It provides guidance on the processes, procedures, roles and responsibilities for risk, and it sets out the context on how risks are to be managed. It defines the key role for the Audit Committee as providing independent assurance to the Council with regard to the effectiveness of the risk management framework and the associated control environment. This includes the monitoring of the framework and ensuring the implementation of all audit actions.

The Corporate Risk Register is a key enabler of the Strategy and Framework, and provides assurance on the key risks identified as corporate risks.

Existing risks identified within both the Council's corporate and operational service risk registers are subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

3. Corporate Risk Register

This approach has meant that some of the risks included within the corporate risk register have been set at a relatively high score with the expectation that as mitigation measures are properly recorded or actions taken, then these risks should start to improve over the coming months. This is not to say that all risks will return to 'green', as mitigation measures can only go so far, and some risks may always be inherently 'red' or 'amber' as the score reflects the potential impact on the Council and the likelihood of that event occurring.

The Corporate Risk Register and supporting comments as at the end of September 2019 are appended to this report, and this includes a summary of all control gaps currently identified on the Council's Corporate Risk Register.

4. Financial Implications

None arising directly from this report.

5. Appendices

Appendix 1 - Corporate Risk Register Monitoring – Quarter 2, September 2019

Appendix 2 - Risk Management Scoring Matrix

Appendix 1 - Corporate Risk Register Monitoring – Quarter 2, September 2019

1	<p>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none">• Quarter 2 budget monitoring has been completed and the report to Cabinet in November confirmed that the projected outturn is expected to be in line with the budget. The report included an update on the progress made with the delivery of the Council's approved 2019/20 efficiency programme of £1,086,300. It confirmed that projects totalling £360,900 will not be delivered during 2019/20 (majority deferred to future years) but this has been contained within the Cabinet's maximum budget by application of the budget reduction risk reserve set aside for this purpose, and other savings identified across the Council. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none">• Regular quarterly budget monitoring reports will be presented to Cabinet to highlight at the earliest opportunity any potential overspends which need to be addressed, ensuring that timely and effective management action can be taken. Quarter 3 budget monitoring will be reported to Cabinet in January. <p>The Council's budget monitoring processes are robust and whilst the budget reduction programme adds an increased risk to achievement of the annual budget this is not considered to be significant at this point in time.</p>
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2

FAILURE TO MAINTAIN FINANCIAL INTEGRITY

Owner: Mike Hill

Current Risk and Direction of Travel: RED – NO CHANGE

Definition:

Affecting the ability of the Council to meet its financial commitments in the longer term.

Key Risk Driver: Financial Impact

Raw Risk Value: Critical - £1m+

Corporate Risk Register Outstanding Controls:

The Council's financial position remains extremely challenging and future funding remains uncertain.

Actions completed during quarter 2:

- A full review of the Council's 2019/20-2022/23 £2.6m efficiency programme has identified £120,500 that cannot be delivered. This remains within the expectations and overall risk provision of £125,600 included in the Medium Term Financial Plan.
- The Council's Medium Term Financial Plan sets out the estimated future funding position and the associated risks due to the uncertainties surrounding the Fair Funding Review, Business Rates Retention and New Homes Bonus. The Government has recently announced a one year local government finance settlement for 2020/21 which means the reviews for the future funding of local government have been deferred for a year. This continues to inhibit effective medium term financial planning and the achievement of a sustainable financial position.
- Monitoring of the Brexit impact, which is recognised as a risk to the achievement of a balanced Medium Term Financial Plan, is ongoing.

Actions outstanding:

- Implementation of Advertising, Sponsorship and Marketing strategies to generate additional funding;
- Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing;
- Ongoing monitoring and delivery of budget efficiency programme;
- Continuing consideration of the Council's funding position as the uncertainties listed above unfold.

3	<p>FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: AMBER – IMPROVEMENT – move from C3 (Significant Likelihood/Serious Impact) to B3 (Low Likelihood/Serious Impact)</p> <p>Definition:</p> <p><i>Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • Council-wide electronic risk assessments are complete. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Full implementation of emergency evacuation templates at each council location.
4	<p>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.</i></p> <p>Key Risk Driver: Service Provision</p> <p>Raw Risk Value: Serious – Significant elements of a service suspended / reduced</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>As a consequence of budget pressures, decreasing workforce, increasing workload and higher customer expectations we are seeing</p>

	<p>an impact on capacity and resilience which may result in a potential reduction in performance. Work is needed to help improve organisational capacity and resilience by developing the skills and abilities of key leaders and staff.</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • The implementation of the Agile Working Strategy and associated roll-out of appropriate IT solutions e.g. laptops, is ongoing. Consultation on the Flexible and Agile Working Policy is complete; • Work is progressing on the development of a Benefits Statement which will highlight the benefits of working for the Council. The format has been agreed by SLT and will be issued to staff in quarter 1 of 2020/21. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Development of a Workforce Strategy - to ensure that staff are creative, flexible and have the right skills to respond positively to the challenges that lie ahead.
5	<p>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: RED – NO CHANGE</p> <p>Definition:</p> <p><i>The capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. Challenges over the security, storage and retention of both electronic and manual records, and data.</i></p> <p>Key Risk Driver: Objectives</p> <p>Raw Risk Value: Major – Directorate objectives not met</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • The required amendments to the Abris Housing Needs system to secure GDPR compliance have been specified and are under review by partner councils; • General Data Protection Regulations – the delivery of the project plan to ensure that the Council responds to the requirements of the Act is nearing completion. Information Asset Registers have now been completed with final review due in quarter 3; • Ongoing implementation of the Digital Strategy which sets out a requirement that the technological solutions we invest in are

	<p>used to their full potential.</p> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Cyber Security risk assessment – the first draft has been considered by SLT and further information requested which is to be considered in quarter 3; • Abritas Housing Needs system amendments to be implemented.
6	<p>FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Buildings that are fit for purpose, safe, secure, and meet legislative requirements for fire, asbestos, and water-testing. Land, buildings and other assets to be recorded on a database.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • The rolling programme of condition surveys for all council-owned buildings is continuing with completion expected by March 2020; • A refresh of the Asset Management Plan and Property Review process is continuing with completion now expected by February 2020; <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Parks Risk Review – improvement actions arising from the risk assessment of parks assets are due to be implemented, including the adoption of a risk based approach to site inspection. A tree register needs to be developed to support this work; • Counter Terrorism Review – report pending from the external agents, which will identify achievable actions to be implemented.
7	<p>FAILURE TO REACT TO CHANGES IN LEGISLATION</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p>

	<p>Definition:</p> <p><i>Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Major - £500k - £1m</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • General Data Protection Regulations and Data Protection Act 2018 – the delivery of the project plan to ensure compliance is nearing completion, a final review of information asset registers is required. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Universal Credit implementation has been deferred by Central Government. • Any outcomes from the Recycling and Waste Strategy consultation. Requirements may include an increase in recycling requirements and consequent funding implications.
8	<p>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • Use of the electronic procurement system purchasing module commenced in July;

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Contract management processes are to be developed and implemented as part of the new e-procurement system; • Procurement and Contract Management risk training has been scheduled in quarter 4.
9	<p>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Councils are increasingly vulnerable to judicial reviews and new compensation claims.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • Electronic risk assessments complete. <p><u>Actions outstanding:</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
10	<p>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Related to channel shift to more digital on-line services but retaining the availability of face-to-face services. Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p>

	<p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • None to be delivered. <p><u>Actions outstanding:</u> There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
11	<p>FAILURE TO PREVENT DAMAGE TO THE COUNCIL’S REPUTATION</p> <p>Owner: Karen Bradford</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Related to the Council’s reaction to a specific event or issue, or generally a downturn in quality of service.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u> Quarterly monitoring of performance information by SLT is an embedded process and timely management action is taken to address any service quality issues arising.</p> <p><u>Actions outstanding:</u> There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
12	<p>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</p> <p>Owner: Karen Bradford</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.</i></p> <p>Key Risk Driver: Reputation</p>

	<p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • None to be delivered. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Review of Business Continuity plans is ongoing and due to be completed by March 2020.
13	<p>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</p> <p>Owner: Karen Bradford</p> <p>Current Risk and Direction of Travel: GREEN - NO CHANGE</p> <p>Definition:</p> <p><i>Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Serious– Adverse regional publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u> The Senior Leadership Team receives economic indicator reports on a bi-annual basis that reports over the themes of homelessness, new homes, benefits and income, and local economy. SLT reflect on these demographic trends and ensure they are fully reflected in service planning processes to ensure needs continue to be met.</p> <p><u>Actions outstanding:</u> There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN PREVIOUS YEARS BUT NOT YET IMPLEMENTED:

There are no high risk audit recommendations from previous years that have not been addressed and implemented.

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN THIS FINANCIAL YEAR:

There have been none reported during 2019/20.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

L i k e l i h o o d	Very High	E					
	High	D				2	
	Significant	C		4	6, 7	5	
	Low	B	10,12	1,11,13	3,8		
	Very Low	A			9		
			1	2	3	4	5
			Negligible	Minor	Serious	Major	Critical
			I m p a c t				



Report to Audit Committee

Subject: Counter Fraud and Corruption Strategy and Whistleblowing Policy and Procedure

Date: 14 January 2020

Author: Deputy Chief Executive and Director of Finance

Purpose

This report presents the Counter Fraud and Corruption Strategy and the Whistleblowing Policy and Procedure for approval.

Recommendations

That Members:

- a) approve the Counter Fraud and Corruption Strategy (Appendix 1) and the Whistleblowing Policy and Procedure (Appendix 2) for referral to Cabinet for approval.
- b) note the key implementation actions at paragraph 2.5.

1. Background

- 1.1 The proposed Counter Fraud and Corruption Strategy and Whistleblowing Policy and Procedure will replace the current approved documents, the Anti-Fraud Statement, Anti-Money Laundering Policy and Whistleblowing (Reporting fraud or corruption).
- 1.2 Fraud and corruption are ever present risks to all organisations. Gedling Borough Council employs approximately 500 staff and has a gross revenue and capital budget of over £50m. As with other large organisations, the size and nature of our services puts us at risk of loss due to fraud, bribery and corruption, both from within the Council and outside it.
- 1.3 Fraud and corruption can have a significant negative impact on an organisation through disruption to their services or undermining the achievement of their objectives: every pound lost to fraud is a pound not spent on achieving the Gedling Plan. The Council needs to be proactive in ensuring their systems,

processes and policies are robust to minimise the risk of fraud from occurring and ensuring that monies, assets and organisational reputation is protected.

1.4 The Chartered Institute of Public Finance and Accountancy has produced the Code of Practice on Managing the Risk of Fraud and Corruption (the Code) which supports public service organisations in seeking to ensure they have the right governance and operational arrangements in place to counter fraud and corruption consisting of the following principles:

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

1.5 Internal Audit have completed a Strategic Fraud Risk Assessment, an advisory review, which has supported the development of the Counter Fraud and Corruption Strategy to ensure best practice.

2. Proposal

2.1 The proposed Counter Fraud and Corruption Strategy and the Whistleblowing Policy and Procedure, attached at appendices 1 and 2 respectively, have been developed to ensure compliance with current legislation and the adoption of best practice guidance e.g. the Code.

2.2 Counter Fraud and Corruption Strategy

The purpose of the Counter Fraud and Corruption Strategy is to:

- Improve the knowledge and understanding of all Gedling Members and Officers, irrespective of their position, about the risk of fraud, bribery and corruption within the organisation.
- Promote a counter fraud culture and an environment where individuals feel able to raise concerns and understand that fraud, bribery and corruption is unacceptable.
- Set out the Gedling responsibilities in terms of the deterrence, prevention, detection and investigation of fraud, bribery and corruption.
- Ensure appropriate sanctions are considered following an investigation, which may include internal disciplinary action, civil recovery and/or criminal prosecution.

2.3 Whistleblowing Policy and Procedure

The term whistleblowing has a specific legal definition, i.e. a disclosure or allegation of serious wrongdoing made by an employee, and a wider public definition, i.e. any disclosure or allegation of serious wrongdoing made by anyone. The Whistleblowing Policy and Procedure seeks to cover both disclosures and allegations made by employees and members of the public in respect of serious wrongdoing, such as:

- Breach of a legal obligation;
- Any criminal activity, including incitement to commit a criminal act;
- Fraud, bribery or corruption;
- A miscarriage of justice;
- A danger to the health or safety of any individual or damage to the environment;
- Abuse of power or authority;
- Failure to comply with professional standards, Council Constitution, policies or codes of practice/conduct;

committed by or related to the actions of:

- Gedling Borough Council employees;
- Members; and/or
- Contractors, agency staff, suppliers or consultants of Gedling Borough Council in the course of their work for the Council.

The policy sets out how the Council will handle and respond to any such allegations and seeks to:

- a) encourage employees and members of the public and/or their representatives to feel confident in raising concerns or allegations in the public interest about suspected serious wrongdoing in the Council and its services without fear of reprisals or victimisation even where the concern or allegations are not subsequently confirmed by the investigation;
- b) give a clear message that allegations of serious wrongdoing or impropriety are taken seriously;
- c) ensure that where the disclosure proves to be well founded, the individuals responsible for such serious wrongdoing will be held accountable for their actions;
- d) set out what employees and members of the public can expect by way of confidentiality and protection when making a whistleblowing disclosure; and
- e) identify independent support for employees who wish to make a whistleblowing disclosure.

2.4 The draft Counter Fraud and Corruption Strategy and the Whistleblowing Policy and Procedure have been reviewed by Senior Leadership Team to ensure they reflect current legislation and are consistent with the Council's linked policies

e.g. Member and Officer Codes of Conduct, Disciplinary Procedures, Declarations of Interest.

- 2.5 The development of the Counter Fraud and Corruption Strategy and the Whistleblowing Policy and Procedure has identified a number of actions that are required to ensure effective implementation across the Council. The key actions include:
- Deliver Member and Officer training to improve knowledge and understanding and promote a counter fraud culture;
 - Publication on the Council website and intranet to ensure promotion to all stakeholders;
 - Update process for Officer Declarations of Interests;
 - Update linked policies e.g. Officer Code of Conduct, Employee Handbook.
 - Review fraud risks and mitigating controls by service area and link as appropriate to individual risk registers.

3. Financial Implications

- 3.1 There are no financial implications arising from the approval of the strategy and policy and procedure documents. Any cost arising from the implementation actions will be contained within existing budgets.

4. Appendices

Appendix 1 - Counter Fraud and Corruption Strategy
Appendix 2 - Whistleblowing Policy and Procedure



COUNTER FRAUD AND CORRUPTION STRATEGY

Policy Owner: Service Manager, Financial Services
Date of Adoption: tbc
Next Review: tbc
Version Number: 1

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1. Introduction

This document sets out the Council's strategy in relation to fraud, bribery and corruption. It has the full support of the Council's elected Members and the Senior Leadership Team and is based on the latest best practice guidance.

Gedling Borough Council employs approximately 500 staff and has a gross revenue and capital budget of over £50m. As with other large organisations, the size and nature of our services puts us at risk of loss due to fraud, bribery and corruption, both from within the Council and outside it.

The Council is committed to reducing fraud, bribery and corruption, and to the promotion of high standards of conduct, to ensure that funds are used as they are intended. Our desire is to be a model of public probity, affording maximum protection to the funds we administer.

The Council will seek the appropriate disciplinary, regulatory, civil and criminal sanctions against fraudsters and where possible, will attempt to recover losses.

2. Purpose

The purpose of this strategy is to:

- Improve the knowledge and understanding of all Gedling staff, irrespective of their position, about the risk of fraud, bribery and corruption within the organisation.
- Promote a counter fraud culture and an environment where staff feel able to raise concerns and understand that fraud, bribery and corruption is unacceptable.
- Set out the Gedling responsibilities in terms of the deterrence, prevention, detection and investigation of fraud, bribery and corruption.
- Ensure appropriate sanctions are considered following an investigation, which may include internal disciplinary action, civil recovery and/or criminal prosecution.

3. Scope

This strategy applies to all individuals working at all levels including Members (including co-opted members), employees (whether permanent, fixed-term, or temporary), trainees, secondees, home-workers, casual staff and agency staff, interns and students, agents, sponsors, volunteers or any other person associated with the Council wherever located (collectively referred to as "Officers") in this Strategy, as well as contractors, suppliers and other internal and external stakeholders including service users and any other parties who have a business relationship with the Council.

This strategy is not intended to provide a comprehensive approach to preventing and detecting fraud, bribery and corruption.

Any abuse or non-compliance with this policy or procedures will be subjected to a full investigation and appropriate disciplinary action.

4. Definitions

4.1 Fraud

Fraud involves **dishonestly** making a false representation, failing to disclose information or abusing a position held, with the intention of making a gain or causing a loss. The gain or loss does not have to succeed, as long as the intent is there.

The Fraud Act 2006 came into force on 15th January 2007 and applies in England, Wales and Northern Ireland. It defines:

- Fraud by false representation (Section 2) – a representation can be in words, written or communicated by conduct. There must be knowledge that the representation was untrue or misleading.
- Fraud by failing to disclose (Section 3) – not declaring something (verbally or in writing) when there is a legal duty to disclose that information.
- Fraud by abuse of position (Section 4) – occupying a position in which you are expected to safeguard, or not to act against, the financial interests of another person or organisation, and abusing that position.
- Further sections for consideration are Section 6 – Possession of articles for use in fraud and Section 7 – Making or supplying articles for use in fraud.

Actions that could be seen to constitute fraud include, but are not limited to:

- Any dishonest or deceptive act;
- Making fraudulent statements e.g. falsifying timesheets, travel and subsistence, sick or special leave;
- Theft, destruction of property or data, or misappropriation of funds;
- Impropriety in the handling and reporting of money or financial transactions;
- Subletting;
- Profiteering because of inside knowledge of the company's activities;
- Disclosing confidential information;
- Obtaining goods, money or services by deception;
- Intimidation or exploitation;
- False accounting/invoicing and/or the destruction, removal or inappropriate use of records;
- Serious misuse of IT or communications systems.

4.2 Bribery and Corruption

Bribery and corruption involves offering, promising or giving a payment or benefit-in-kind in order to influence others to use their position in an improper way to gain an advantage. Bribery is a criminal offence.

Offences of bribing another person:

The Bribery Act 2010 makes a person guilty of an offence if either of the following two cases apply:

- He/she offers, promises or gives a financial or other advantage to another person, and he/she intends the advantage to induce a person to perform improperly a relevant function or activity, or to reward a person for improper performance of such a function or activity.
- He/she offers, promises or gives a financial or other advantage to another person, and he/she knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity.

Offences in relation to being bribed:

The Bribery Act 2010 makes a person guilty of an offence if any of the following applies:

- He/she requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly (whether by him/herself or another person);
- He/she requests, agrees to receive or accepts a financial or other advantage, and the request, agreement or acceptance itself constitutes the improper performance by him/her of a relevant function or activity;
- He/she requests, agrees to receive or accepts a financial or other advantage as a reward for the improper performance (whether by him/herself or another person) of a relevant function or activity;
- In anticipation of or in consequence of him/her requesting, agreeing to receive or accepting a financial or other advantage, a relevant function or activity is performed improperly by him/her or by another person at his/her request or with his/her assent or acquiescence.

Failure of a commercial organisation to prevent bribery (Section 7 of the Bribery Act 2010):

A relevant commercial organisation (e.g. the Council) is guilty of an offence under this section if a person associated with the organisation bribes another person intending to obtain or retain business for the organisation, or to obtain or retain advantage in the conduct of business for the organisation.

However, it is a defence for the organisation to prove that it had in place adequate procedures designed to prevent persons associated with the organisation from undertaking such conduct.

FRAUD AND CORRUPTION

1. Introduction

The Council is responsible for the proper administration of its finances. This not only includes direct income and expenditure but also monies that we administer on behalf of the Government, on behalf of our clients, and that for which we are the responsible accountable body. Anyone committing fraud, bribery or corruption, both inside and outside the organisation, attack all of these sources of income and expenditure and our valuable assets.

This Strategy encompasses any action taken by an individual, group or organisation which is designed to facilitate dishonest gain (or a loss) at the expense of the Council, the residents of Gedling, or the wider national community. It, therefore, includes fraud, bribery and corruption and any financial irregularity or malpractice.

The Council will be vigilant in all of these areas and will apply the same principles of deterrence, prevention, detection, investigation and resolution across all its services. The Council will not be afraid to tackle difficult or uncomfortable cases and will take a robust line and seek the maximum appropriate sanction in all areas of operation.

2. The Fraud Threats

The key threats of fraudulent and corrupt activity occurring within the Council are from, in no particular order:

- a. Members;
- b. Officers;
- c. Contractors and Partners;
- d. Public.

3. Members

Our elected Members are expected to act in a manner which sets an example to the community whom they represent and to the Officers of the Council who implement their Policy objectives. They are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. This includes placing the Council's interests above their own and the observance of the *Seven Principles of Public Life* (ethical standards expected of public office holders as set out by Government) as required by the Members' Code of Conduct in the Council's Constitution.

Members should be particularly careful to ensure that all relevant interests including any conflict of interest are properly declared in any and all of their financial dealings. No financial malpractice will be tolerated and where evidence indicates such malpractice has taken place, a report will be made to the Monitoring Officer who will inform the Police if appropriate.

4. Officers

Officers are also expected to observe the *Seven Principles of Public Life*, acting with integrity, objectivity and honesty. It is recognised that the vast majority of Officers are hardworking and conscientious who conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. However, fraud, bribery and corruption will not be tolerated and where evidence indicates such activity has taken place, the allegation will be investigated under the Council's Disciplinary Procedure and, if proven, action will be taken that may include dismissal. Criminal and/or Civil proceedings will also be pursued if appropriate. The Officer Code of Conduct which sets required standards of behaviour is included in the Employee Handbook.

There is a special responsibility on our Senior Leadership Team to lead their Officers by example. The Council expects these Officers to set the standard by their own behaviour. This includes placing the Council's interests above their own and the whole-hearted promotion of the *Seven Principles of Public Life*.

It is the responsibility of Directors and Service Managers to be aware of the appropriate financial and other counter fraud regulations and to be responsible for ensuring compliance with them by the Officers for whom they are responsible. Directors and Service Managers are also responsible for the enforcement of disciplinary action for staff who fail to comply with policies and procedures

5. Contractors and Partners

The increase in partnership arrangements to deliver services places an additional burden on the Council to ensure that public money invested in these services is appropriately used.

Those organisations undertaking work on behalf of the Council are expected to maintain strong counter fraud and bribery principles. We are happy to work with such organisations and to provide advice on counter fraud measures. Through contract documentation and service level agreements we will ensure that our service providers and partners take the issue of fraud and bribery seriously and the Council is able to terminate the arrangement where fraud or bribery is discovered.

The Council requires partnerships to adopt appropriate governance arrangements as detailed in the service level agreement, which amongst other things, sets out the standards of conduct expected of the Council's partners. This includes the promotion of the *Seven Principles of Public Life*.

In an era of increasing emphasis on partnership working, it is vitally important that our key partners, advocate and promote the principles of good governance, accountability for decisions, effective risk management and the appropriate stewardship of public funds.

6. The Public

Members of the public receive financial assistance and benefits from the Council through a variety of sources. These include, for example:

- Housing Benefit and Council Tax Reduction;
- Temporary accommodation and homelessness prevention assistance;
- Renovation and other housing related grants;
- Community Grants.

All of these areas have been the subject of attack by people committing fraud. This means less money is available for those in genuine need. Our fraud effort will be balanced against our desire to ensure genuine claimants receive their full entitlement.

Because of the scale of expenditure, Housing Benefit fraud receives significant attention from Central Government. A number of initiatives have been implemented which are fully supported by the Council. These include:

- National Fraud Initiative;
- Housing Benefit Matching Service (DWP);
- Verify Earning and Pensions Service (DWP).

The Council will participate in these schemes to the fullest extent.

7. Identifying the Specific Threats

Each Service will be challenged to identify the risk of fraud, bribery and corruption occurring in their area. Where risks are identified, they will be responsible for ensuring they are placed on the Risk Register and that actions are undertaken to address those risks.

Internal Audit, through its programme of work will also test the control environment within Services and compile reports on its findings, highlighting any weaknesses in controls. Services will be required to act upon those recommendations and Internal Audit will monitor progress.

In situations that require a fraud investigation Internal Audit will highlight any system weaknesses that are identified and those will be addressed through an agreed Action Plan. The relevant Service Manager is responsible for implementing the Action Plan and Internal Audit will monitor implementation. The Department for Work and Pensions (DWP) has responsibility with regard to Housing Benefit Fraud through its Single Fraud Investigation Service and the Council works closely with the DWP to combat fraud in this area.

The Council will develop tools to identify and quantify the amount of fraud to inform decision making on the resourcing of counter fraud activity and how and where that resource is deployed.

The Council will evaluate the impact of the harm that each fraud risk can have on delivery of its aims and objectives and service users.

THE COUNCIL'S STRATEGIC APPROACH

Introduction

The Council already has a number of policies and processes in place (at Appendix 1), which underpin the operation of the Council and exist to fortify the Council against fraud, bribery and corruption. The Counter Fraud and Corruption Strategy underpins this framework.

Our Strategy to combat fraud, bribery and corruption is built upon seven key themes:

- Counter fraud Culture;
- Deterrence;
- Prevention;
- Detection;
- Investigation;
- Sanction;
- Redress.

The themes exist within the overall context of a counter fraud culture promoted by the Council through its leadership, governance arrangements and general approach to fraud.

This Counter Fraud and Corruption Strategy provides details of the ways in which these themes will be developed and executed to embed the counter fraud culture as part of the good governance of the Council.

Everyone in the Council has a duty to protect the public purse and should be aware of the potential for fraud, bribery and corruption in their area of work. However, to ensure the successful implementation of this Strategy, specific responsibilities are detailed in Appendix 2 – Roles and Responsibilities.

1. The Counter Fraud Culture

The Council must have a strong and recognised counter fraud culture. One where the Council's leadership, both elected and employed, uphold the highest standards of conduct both in their duties and in their own personal financial dealings.

Leadership is a cornerstone of any organisation. Leaders set the example that the rest of the organisation follows. The elected Members are expected to set an example to each other, our Officers and the community that we serve. The Council as a whole also has a statutory duty to promote high standards of conduct by its Members. To this end the Council has approved a robust Members' Code of Conduct which is included in the Constitution.

Similarly, there is a special onus upon the Chief Executive, Senior Leadership Team and Senior Officers to lead by example in their financial dealings, which are beyond reproach and fully accountable. This includes financial dealings away from the workplace.

The message must be clear and simple that the Council will not tolerate any fraudulent or corrupt activity. Every pound lost through a fraudulent or corrupt act is a pound stolen from the residents of Gedling.

All new employees will receive Counter Fraud and Corruption Awareness training as part of their induction into the Council. In addition, all employees will be required to participate in refresher programmes. These will be in various formats (for example e- learning).

All Directorates will be required to address the risk of loss due to fraud and/or corruption through the Council's Corporate Risk Strategy and appropriate Directorate Risk Action Plans.

This Counter Fraud and Corruption Strategy will be available to all employees, contractors and partners and will link into other relevant policies and guidance, such as the:

- Disciplinary Procedure;
- Member Code of Conduct;
- Officers Code of Conduct;
- Gifts and Hospitality Code of Practice for Members and Officers;
- Whistleblowing Policy and Procedure.

2. Deterrence

We recognise that our systems are vulnerable from attack, particularly by those who gain inside knowledge of control weaknesses. The most effective way to minimise fraud and bribery entering into any system is to deter those who may consider defrauding from committing the offence in the first place.

The Council will ensure that this Strategy and other supporting policies are publicised to the widest possible audience, including staff, partners and the public. We will actively promote the anti-fraud culture and the consequences for those found to have committed such offences.

The Council will seek the most appropriate sanction and redress against all those who commit fraud against the Council. We will publicise details of criminal convictions and provide statistical information in relation to disciplinary action to deter others who may have considered committing such offences themselves.

All Managers have a responsibility for ensuring that control measures are in place to minimise the risk of fraud, bribery and corruption. They must consider these risks whenever new guidance or procedures are written or existing ones revised.

Managers must ensure that all staff are aware of these procedures and of the controls in place. Where effective controls are in place, there is less opportunity to commit fraud and therefore, this may act as a deterrent.

3. Prevention

Fraud, bribery and corruption are costly, both in terms of reputational risk and financial losses. To reduce the risk of loss we must aim to prevent it from happening in the first place. There are a number of key processes, which can assist in the prevention of fraud and corruption, including:

- a. Internal Control systems (and the work of the Audit Committee);
- b. Employee Recruitment and Conduct;
- c. Members Roles and Conduct;
- d. Public Contracts – prevention of bribery
- e. Joint working to prevent and combat fraud and bribery

(a) Internal Control Systems

The Council takes ultimate responsibility for the protection of our finances and those that are administered on behalf of the Government or the Community. In turn, our Managers have a duty to protect their service area from losses due to fraud and irregularity, and are responsible for implementing proper internal controls and ensure compliance with Financial Regulations and Standing Orders. Our Managers are expected to be fully familiar with the services they provide and must be cognisant of the fraud and bribery risks in their service area. Some services will be at particular risk of attack from external sources, for example:

- Housing Benefit;
- Renovation Grants;
- Homelessness and Housing;
- Council Tax;
- IT Systems (cyber fraud).

In fact any service which pays money directly, reduces a liability or gives a service of value where there is some sort of claim or application made, is at a high risk of fraud. In addition, all Council services are susceptible to internal fraud through false pay, allowance or sickness claims and abuse of their position by Officers for private gain. or the gain of relatives or friends.

Internal controls are only effective if they are properly conducted. Therefore, it is the responsibility of all Managers to establish and maintain systems of internal control and to assure themselves that those controls are properly applied and on the activities intended. This includes responsibility for the prevention and detection of fraud, bribery and corruption. The Council has developed an Anti-Money Laundering Policy which is attached at Appendix 4.

We will implement strong systems of verification of all claims for all types of financial assistance, for example, risk-based verification for housing benefit claims. We will utilise all data available to corroborate information given by applicants for the purposes of prevention and detection of fraud. We will also monitor and review grants and assistance given to external organisations to ensure applications are genuine.

We will also expect our voluntary sector partners which receive grant funding from the Council to have adequate governance procures and controls in place to minimise the risk of fraud. This expectation will be written into all relevant agreements. We will provide Fraud Awareness training to our partners as required.

Our partners are expected to have adequate Whistle-blowing Procedures and the Council's own procedure, which is contained in the Employee Handbook, will be promoted to contractor staff working on behalf of the Council.

Internal Audit will ensure that an adequate and effective audit is undertaken of the Council's systems and processes. Any system weaknesses that are identified as a result of these investigations will be reported to the relevant Director/Service Manager. These will be addressed through an agreed Action Plan. The relevant Service Manager is responsible for implementing the Action Plan and Internal Audit will monitor

Failure to implement adequate system controls following a loss to fraud may be investigated under the Disciplinary Procedure and will be the subject of a report to the relevant Director and/or Audit Committee. The Audit Committee will receive regular reports from Internal Audit regarding system failures, proposals for action and feedback on the implementation of Action Plans.

(b) Employee Recruitment and Conduct

All employees must abide by the Council's rules. These are contained in the Council's Constitution and in the Employee Handbook. Policies that have been formally adopted and included in the Employee Handbook form part of each employee's contract of employment. Employees of the Council are also expected to follow any additional Codes of Conduct, either related to any professional body to which they are registered, or additional Council Codes of Conduct relevant to their post, and immediately notify the Council if they come into conflict with any such Code. The Employee Code of Conduct and Gift and Hospitality Code of Practice which contain counter fraud and anti-bribery behaviour expectations are included in the Council's Employee Handbook.

Where agency workers are deployed in positions where they have access to finance, personal data or other assets, Service Managers will check their references direct with their previous employer. The Council will not rely only on references supplied by staffing agencies.

The Chief Financial Officer/Deputy will be proactive in raising awareness of the Council's Counter Fraud and Corruption culture to staff through appropriate mechanisms including Fraud Awareness training at all levels. Fraud and Corruption awareness will also form part of the new entrants' induction package.

(c) Members Roles and Conduct

All Members are bound to comply with the Members' Code of Conduct and any ancillary Codes that we implement. We will provide Fraud and Corruption Awareness training to our Members and encourage an open and honest dialogue between Members and Officers. The Members' Code of Conduct is included in the Council's Constitution with requirements for the disclosure of interests at meetings and notification of interests and gifts and hospitality to be included in the Register. These documents incorporate counter fraud expectations and are linked documents to this strategy.

We will ensure that the processes that are particularly vulnerable, such as planning, licensing, disposals and tendering are adequately protected through internal control mechanisms and regular reminders to Members regarding requirements for declaration of interests.

(d) Public Contracts - prevention of bribery

Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. The Regulations do not include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. This Council has the discretion to exclude organisations convicted of this offence.

The Council requires, through its contract procedure that all procurement activity be undertaken to the highest standards of ethics and probity. The Council insists on ethical standards from its suppliers which are fully reflected in contract terms and conditions and in turn it must exhibit the highest ethical standards itself as reflected in Member and Officers Codes of Conduct including requirement for declaration of interests. The Contract Standing Orders also require any officer who has a conflict of interest or any material interest, financial or otherwise, which may affect the procurement process to declare that interest to the Director and take no further part in the procurement process, unless the Monitoring Officer agrees. Officers and Members must not only be fair and above board in all business dealings, but should also avoid any conduct that is capable of having an adverse interpretation put on it.

(e) Joint Working to Prevent and Combat Fraud and Bribery

The Internal Audit team will work with other local authorities and public sector bodies, as appropriate, to investigate allegations of fraud including:

- Department of Health;
- Department for Work and Pensions (DWP);
- Police;
- Her Majesty's Revenue & Customs (HMRC);
- Border & Immigration Agency.

Where appropriate, we will participate in data-matching exercises and will share information using legislation or legal gateways available to us and our partners. The Government Cabinet Office has drawn up a Code of Data Matching Practice for its National Fraud Initiative (NFI), which is recognised by the Information Commissioner as complying with Data Protection legislation.

The Council will make full use of its statutory powers to obtain information, and will utilise appropriate bodies to support such information gathering.

4. Detection

Whilst it is possible to reduce the potential for fraud and corruption within the Council, it is important to remember that it is not possible to eradicate it. Therefore, it is essential that Officers are aware of what to do should they detect or suspect fraud or bribery has, or is taking place.

All officers, the public and Members are encouraged to contact nominated officers with any suspicion of fraud, bribery or corruption, or the misuse of official position. The Council operates a Whistle-blowing procedure for those who wish to utilise the protection offered by the Public Interest Disclosure Act 1998. The Whistleblowing procedure is contained in the Employee Handbook and published on the Council's website.

The nominated officers are:

- Head of Paid Service (Chief Executive);
- Chief Financial Officer or Deputy (Deputy Chief Executive and Director of Finance and Service Manager, Financial Services);
- Monitoring Officer or Deputy (Director of Organisational Development and Democratic Services and Service Manager, Legal Services);
- Service Manager, Organisational Development.

The Fraud Response Plan provides guidance on what to do should an individual suspect fraud or corruption and can be found at Appendix 3 of this Strategy. Alternatively, where benefit fraud is suspected we encourage the public to report it to the National Benefit Fraud Hotline on 0800 854 440 or write to them at PO Box 224, Preston, PR1 1GP

Internal Audit reviews will have regard to the possibility of fraud. Where the same is externalised, contract arrangements will ensure that investigators are appropriately trained to ensure that they have a full understanding of system controls and potential fraud areas.

We will utilise all methods available to detect fraud. This includes data matching, open source research, surveillance and intelligence led investigations where appropriate. We will participate fully in the Government's National Fraud Initiative.

We will analyse fraud trends in order to identify high risk areas and undertake pro- active counter fraud exercises based on that analysis.

5. Investigation

As a matter of potential serious wrongdoing, all allegations of fraud, bribery and corruption will be investigated in accordance with the procedures contained in the Council's Whistleblowing Policy. The Corporate Whistleblowing Team (as set out above in Section 4) will consider the allegation and determine the appropriate method of investigation ensuring the appropriate alignment with relevant Council Policies e.g. Disciplinary Procedures, Members Code of Conduct to ensure their correct and consistent application. The investigating team will include officers with appropriate expertise e.g. Internal Audit, Human Resources, Legal Services, related Service Manager.

The Chief Financial Officer or Deputy will manage the overall investigation of allegations of fraud, bribery and corruption in consultation with appropriate officers depending upon the nature of the allegation.

This may or may not result in the investigation being referred to professional investigators appropriately trained in criminal investigation and will be required to work within the parameters of the relevant Criminal Law.

Cases will be referred to the Police where their additional powers are required to secure evidence or recovery of funds, or where the matter cannot be pursued in-house.

There is an expectation that any employee will assist the Council with any matter under investigation. Any employee suspected of deliberately taking action to hide, remove or alter evidence relevant to an investigation will themselves be investigated under the Council's Disciplinary Procedure as a potential act of misconduct, possibly gross misconduct.

If an allegation of fraud or corruption against a Member also results in a complaint of breach of the Members' Code of Conduct, the complaint will be dealt by the Monitoring Officer in accordance with the approved arrangements for dealing with complaints. If the complaint gives rise to a criminal offence it will be referred to the police.

Our partners will provide full access to their financial records, as they relate to our finances, and their Officers will be required to assist fully with any investigation. These conditions will be included in any contract terms or agreements.

6. Sanction

We will seek the strongest available sanctions against all who commit fraud against the Council, its clients or the public purse. This may include disciplinary action, prosecution, civil proceedings or a combination. Where the fraud is committed by an employee of a contractor or partner organisation, we will request that the organisation takes appropriate disciplinary action against the individual and/or we will require that they are removed from the Gedling account.

The decision to recommend any or all of the above sanctions will be made on a case by case basis, having regard to the Disciplinary Procedure in place at the time.

Disciplinary Action

The Council's Disciplinary Procedure specifically identifies fraud and theft as potential acts of gross misconduct. Other related acts may be similarly viewed as potential gross misconduct including corruption, serious financial malpractice, or use of position for personal gain or for the gain of others. Any proven act of gross misconduct may lead to dismissal from the service of the Council. In the event of a dismissal on a count of fraud, this will be declared in reference requests received from prospective future employers.

The concept of fraud, theft or similar activity applies to employees who improperly benefit from the Council as a corporate body, and not just those who steal funds from their own area of business. It also applies to employees who defraud or steal from the Council's clients. We will also investigate under the Council's Disciplinary Procedure any action of Officers who appear to commit fraud against other Local Authorities, the Department of Work and Pensions or any other agency administering public funds.

Any case of fraud, theft or corruption involving a Member will be dealt with in accordance with the Council's arrangements for dealing with complaints. This may involve a referral to the Police if there is potentially criminal conduct/breach of other regulations.

Criminal Sanctions

In addition to any disciplinary action, the Chief Financial Officer or Deputy in consultation with Legal Services will decide whether further action is appropriate in respect of any criminal offences. This decision will be made on a case by case basis and further action may include a recommendation of prosecution.

We will use the Council's own Legal team and the Crown Prosecution Service, through the Police, to bring offenders to justice. As a deterrent, we will also publicise our successful sanctions in the local press.

7. Redress

In all cases we will seek recovery of any fraudulently obtained amounts and we will utilise all means available to us to recover these amounts. This can include freezing assets, Compensation Orders, Confiscation Orders, Civil Litigation, recoup of monies paid through the Local Government Pension Fund, and general debt recovery.

The Council Debt Recovery procedures provides clear guidance on the measures it will take to effectively recover monies owed to the Council.

Additionally, where a criminal conviction has been secured, we will utilise the power of the Courts to obtain Compensation Orders where appropriate. We will also consider the use of our partners' specialist skills in financial investigation to recover losses using the Proceeds of Crime Act 2002.

All partners and contractors will be responsible for any losses affecting Council funds attributable to their employees. Bribery and corruption clauses are included in contract terms and enable the termination of the contract and the recovery of funds in the event of fraud.

REVIEW AND REPORTING

Updates

This Strategy will be the subject of regular review to ensure it continues to meet statutory requirements and supports the strategic objectives of the Council. It will be formally reviewed on a tri-annual basis.

Internal audit will also conduct a periodic review of the Council's operation against the Strategy to ensure the Counter Fraud and Corruption culture is embedded within Council services.

A report on the Council's activity in relation to cases of fraud and irregularities will be submitted to the Audit Committee on an annual basis to include an assessment of whether the level of resource invested in counter fraud and corruption is proportionate to the level of risk.

APPENDIX 1 – THE CORPORATE FRAMEWORK

- The Constitution (including Financial Regulations, Contract Standing Orders and the Scheme of Delegation);
- An established Audit Committee;
- An established Standards Committee and an adopted Code of Conduct for Members;
- A comprehensive Members' Induction programme delivered following elections which included expected standards of behaviour and interests;
- Employee rules of conduct contained within the relevant policies and procedures;
- Employees' Conditions of Service;
- An Officer appointed under Section 151 of the Local Government Act 1972, with statutory responsibility for the oversight of all financial affairs;
- An Officer, appointed as Monitoring Officer under section 5 of the Local Government and Housing Act 1989, with statutory responsibility for monitoring the legality of the Council's affairs;
- Register of Interests and Gifts and Hospitality
- Gifts and Hospitality Code of Practice for Members and Officers;
- Effective employee recruitment procedures (recruitment checks and DBS where appropriate) and a detailed Officer Code of Conduct;
- A Corporate Induction programme for all Officers which includes expected standards of probity;
- Effective Disciplinary Procedures;
- An Internal Audit function with a responsibility for assessing and testing the Council's control environment;
- A Whistle-blowing Policy and Procedure;
- A Counter Fraud and Corruption Strategy;
- A Complaints procedure available to the public;
- Public inspection of accounts and questions to the External Auditor;
- An External Audit function;
- Dedicated Internal Audit service whose work programmes includes proactive work determined by a formal risk assessment;
- Participation in National anti-fraud initiatives;
- A proactive IT security function and an Information Security Policy;
- Risk-based Verification policy (benefits);
- A Data Protection Policy;
- Local Code on Corporate Governance

APPENDIX 2 – ROLES AND RESPONSIBILITIES

Role	Responsibility
Council	<ul style="list-style-type: none"> • Facilitate a Counter Fraud and Corruption culture. • Demonstrate a commitment to this Strategy and ensure it has the appropriate profile within the Council.
Cabinet	<ul style="list-style-type: none"> • To approve the Counter Fraud and Corruption Strategy. • Ensure the Strategy is effectively implemented across the Council.
Audit Committee	<ul style="list-style-type: none"> • To monitor and review the Counter Fraud and Corruption Strategy for referral to Cabinet for approval. • To monitor and review the effectiveness of the Council's risk management arrangements, internal controls and related counter fraud and corruption arrangements.
Standards Committee	<ul style="list-style-type: none"> • Role in promoting the highest standards of conduct by Members including advising on what should be included in the Code of Conduct and reviewing the Gifts and Hospitality Code of Practice
Appointments and Conditions of Service Committee	<ul style="list-style-type: none"> • To approve robust employment policies.
Appeals and Retirements Committee	<ul style="list-style-type: none"> • To consider appeals made against dismissals relating to fraud, bribery and corruption in order to ensure measures taken are in accordance with policies and are fair and proper.
Chief Executive	<ul style="list-style-type: none"> • Ensure that there is strong political and executive support for work to counter fraud and corruption. • Ensure adequate policies and procedures are in place to protect the organisation i.e. this Strategy, and ensure that there is consistency across Directorates in its implementation.
Monitoring Officer	<ul style="list-style-type: none"> • Ensure that expected standards of ethical conduct are developed and effectively communicated. • Ensure Registers of Interests, Gifts & Hospitality are maintained. • Ensure Members and Officers are fully aware of their obligations in relation to probity. • Ensure resources are available to pursue appropriate criminal and civil proceedings.

Chief Financial Officer	<ul style="list-style-type: none"> • Ensure appropriate financial regulations are documented and implemented. • Ensure that those working to counter fraud and corruption are undertaking this work in accordance with a clear ethical framework and standards of personal conduct. • Ensure that those working to counter fraud and corruption are professionally trained and accredited for their role and attend regular refresher courses to ensure they are up to date with new developments and legislation. • Ensure that there is a level of financial investment in counter fraud and corruption work that is proportionate to the risk that has been identified. • Ensure that reports on investigations include a section on identified policy and system weaknesses that allowed the fraud/corruption to take place where appropriate. • Ensure that effective Whistle-blowing arrangements are established.
Service Manager, Organisational Development	<ul style="list-style-type: none"> • Ensure effective pre-employment checks at the recruitment stage for all employees, implemented by appropriately trained Officers; • Provide advice to promote consistency, ensuring appropriate use of the Disciplinary Procedure and advise on matters of employment law; • Ensure employment policies support the Counter Fraud and Corruption Strategy; • Advise on and monitor that effective and appropriate sanctions are applied in all appropriate cases.
Directors	<ul style="list-style-type: none"> • Ensure the risks of fraud and corruption are identified, entered on the Risk Register and Action Plans implemented to reduce the risk to an acceptable level. • Ensure the Counter Fraud and Corruption Strategy is implemented within their Directorate, and that all staff understand the importance of protecting the organisation from fraud, bribery and corruption. • Ensure the risk of fraud and corruption is considered in all new processes. • Report instance of actual or suspected fraud to the Chief Financial Officer or deputy. It is important that Directors do not investigate suspected financial crimes themselves.

Service Managers	<ul style="list-style-type: none"> • Ensure the Counter Fraud and Corruption Strategy is implemented within their service and all employees are aware of their responsibilities and understand the employee rules of conduct; • Ensure the risks of fraud and corruption are identified, entered on the Risk Register and Action Plans implemented to reduce the risk to an acceptable level. • Ensure that as part of the risk management process the Council attempts to identify accurately the nature and scale of losses to fraud and corruption, and also takes into account fraud and corruption risks in relation to significant partnerships. • Ensure that there are framework agreements in place to facilitate working with other organisations and agencies. • Consider fraud and corruption risks within all new Policies and systems, and to revise existing ones to remove possible weaknesses. • Report instance of actual or suspected fraud to the Chief Financial Officer or deputy. It is important that Service Managers do not investigate suspected case of fraud or financial irregularity without consulting the Chief Financial Officer or deputy. • Ensure employees are aware of the process for reporting allegations of fraud. • Ensure all employees understand the Whistle- blowing Policy and Procedure and reporting arrangements. • Ensure accurate and timely reporting of gifts and hospitality.
Employees	<ul style="list-style-type: none"> • Ensure understanding of and compliance with the Council's Counter Fraud and Corruption Strategy. • Report suspected fraud or corruption and take responsibility for understanding the appropriate methods to do so. • Report gifts and hospitality and take responsibility for understanding the process to do so. • Declare interests and take responsibility for understanding the process to do so. • Not take part in decisions where they have a conflict or material interest, financial or otherwise.
Risk Management Group (SLT)	<ul style="list-style-type: none"> • Ensure any risks identified due to potential fraud or corruption are properly mitigated.

Internal Audit	<ul style="list-style-type: none"> • Support Directors and their Managers in identifying and mitigating risks for fraud and corruption. • Review controls and systems ensuring compliance with Financial Regulations • To undertake investigation into allegations of fraud and corruption to identify weaknesses in controls in line with legislation and to provide supporting evidence to managers investigating allegations under the Council’s Disciplinary Procedure. • Make recommendations where weaknesses are identified, and ensure Action Plans are implemented to prevent reoccurrences. • Notify the Nominated Officers (see at the outset of investigations into employees and at the conclusion of investigation, and liaise as appropriate during the investigation. <p>The nominated officers are:</p> <ul style="list-style-type: none"> • Head of Paid Service (Chief Executive); • Chief Financial Officer or Deputy (Deputy Chief Executive and Director of Finance and Service Manager, Financial Services); • Monitoring Officer or Deputy (Director of Organisational Development and Democratic Services and Service Manager, Legal Services); • Service Manager, Organisational Development.
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APPENDIX 3 – FRAUD RESPONSE PLAN

1. Introduction

Gedling Borough Council is committed to the highest possible standards of openness, honesty, integrity and accountability in the conduct of all its business and decision making.

In line with that commitment, the Council's Counter Fraud and Corruption Strategy outlines the principles we are committed to in relation to preventing, reporting and managing fraud and corruption.

This Fraud Response Plan reinforces the Council's robust approach by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud or corruption. It also outlines how the Council will deal with such complaints.

2. What do we want to know about?

This plan is intended to be implemented where suspicions of fraud, bribery or corruption have been raised.

Fraudulent or corrupt acts may include:

- Systems issues - for example, abuse of a process/system by either employees, Members, or the public such as planning applications;
- Financial Issues – for example, where individuals or companies have fraudulently obtained money from the Council such as invoicing for work that was not undertaken;
- Equipment Issues – for example, where Council equipment is used for personal or private business use, such as Council vehicles, phones, laptops or iPads;
- Resource Issues – for example, where there is a misuse of resources such as theft of materials;
- Other Issues - activities undertaken by Officers of the Council which may be:
 - Unlawful;
 - Against the Council's Financial Procedure Rules and Contract Standing Orders;
 - Fall below established standards or practices; or
 - Amount to improper conduct – for example, receiving hospitality that is not in accordance with the approved policy.

This is not an exhaustive list.

3. What Should an Employee do if they Suspect Fraud, Bribery or Corruption?

Employees are often the first to realise that there is 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, they may feel that it would be easier for them to ignore the concern rather than report what may just be a suspicion of malpractice.

The Council's Whistle-blowing Policy and Procedure contained in the Employee handbook is intended to encourage and enable Officers to raise concerns about serious wrongdoing, which includes all allegations of fraud, bribery and corruption, within the Council, rather than overlooking a problem, informing the media, or other external bodies.

Employees should report any concerns related to fraud, bribery and corruption in accordance with the Whistle-blowing Policy and Procedure. The nature of the complaint will determine the Council's course of action.

The employee must **not**:

- Approach the person, people or organisation they suspect;
- Attempt to collect evidence or question anybody, (but if they have documents etc which they think are relevant, they should where possible secure them safely);
- Attempt to investigate on their own.

If an employee is unsure about what they have seen or heard, they should seek advice in confidence in accordance with the Whistle-blowing Policy and Procedure contained in the Employee Handbook.

4. Safeguards

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 harassment or victimisation and will take action to protect those who raise a concern in good faith.

The Council will not disclose information regarding the identity of the complainant without their prior consent, and they cannot be compelled to give evidence. However, it must be appreciated that in some situations the investigation process may not be concluded unless the source of the information and a statement by the individual can be produced as part of the evidence.

Allegations of fraud, bribery or corruption can be made anonymously. However, concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Council. In exercising this discretion, the factors to be taken into account would include:

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

If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the originator. If, however, individuals make malicious or vexatious allegations, action may be considered against the individual making the allegation. In the case of an employee making malicious or vexatious allegations, this may include disciplinary action or dismissal.

5. **How will Allegations of Fraud, Bribery or Corruption be dealt with by the Council?**

The Whistleblowing Policy and Procedure sets out a number of nominated officers that you should raise concerns with. However, you also have the option to make contact with the Internal Auditors.

Internal Audit operates independently of all other Council Services. Their work includes establishing procedures with the following aims:

- To develop and embed a Counter Fraud and Corruption culture;
- To deter, prevent, detect and investigate fraud, bribery and corruption;
- To seek appropriate action against those who commit or seek to commit some sort of fraud, bribery or corruption;
- To obtain compensation in respect of any losses to the Council; and
- To recommend system and control improvements to reduce the Council's exposure to fraudulent activity.

To this end Internal Audit will work with other stakeholders to provide a joined up approach to prevention, detection, investigation and prosecution of fraud, bribery and corruption within the Council.

When allegations are received the action taken by the Council will depend on the nature of the concern. Where there are concerns about the potential conduct of a Member then the matter will be investigated under the Members Code of Conduct. Where there are concerns about the potential conduct of an employee then the matter will be investigated under the Council's Disciplinary Procedure. The matter may also be referred to the Police.

6. **Alternative Methods for Taking a Complaint Forward**

If either a member of the public or an employee feels that it is right to take the matter outside these processes, the following organisations can be contacted:

- If you live within the Gedling Borough Council boundary, your local Councillor can be contacted. If you are unsure how to contact them, call the Council on 0115 9013901 for advice or look at the Council website;
- The Council's external auditor: Mazars;
- Employees may invite their Trade Union to raise a matter on their behalf;
- The Police;
- The relevant regulatory body e.g. Planning Inspectorate
- The Local Government and Social Care Ombudsman, an independent body set up by the Government to deal with complaints against Councils in the United Kingdom;
- Protect, a charity that provides free and strictly confidential legal help to anyone concerned about a malpractice which threatens the public interest. They operate a helpline on 0203 3117 2520 or via the website www.pcaw.co.uk

7. **External communications**

Individuals (be they Members, officers, partners, contractors) must not communicate with any member of the press, media or another third party about a suspected fraud as this may seriously damage the investigation and any subsequent actions to be taken.

All media referrals in respect of fraud activity must comply with the Council's approved Media Protocol and be completed by the Communications Team.

8. Review of Fraud Response Plan

The Fraud Response Plan will be reviewed following each occasion it is deployed and any necessary improvements will be implemented to ensure it operates effectively.

APPENDIX 4 – 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 they may be used”. Legislation concerning Money Laundering (Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 and 2007) have broadened the definition of Money Laundering and increased the range of activities caught by the statutory framework. As a result, the obligations impact on areas of local authority business although the Council is not directly covered by Money Laundering Regulations.
- 1.2 However under the CIPFA Treasury Code of Practice local authorities are required to establish internal procedures to prevent the use of their services for Money Laundering (Treasury Management Practice 9).

2. The Scope of this Policy

- 2.1 This Policy applies to all employees of Gedling Borough Council and its elected Members and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through Money Laundering. The Policy sets out the procedures that must be followed to enable the Council to comply with its legal obligations.
- 2.2 Anti-Money Laundering legislation places a responsibility upon Council employees and elected Members to combat Money Laundering and covers a very wide area of financial transactions, including possessing, or in any way dealing with, or concealing, the proceeds of any crime. It applies to all employees/elected Members involved with monetary transactions. In this context, monetary transactions includes any business of the Council which involves any transfer of assets or obligations to or from the Council and where there is opportunity for the other party to receive or divert cash or convert assets or obligations into cash. Many types of criminal activity would fall under the scope of Money Laundering (for instance falsely claiming benefits and tax evasion etc.).
- 2.3 It is a criminal offence to:-
- Assist a money launderer;
 - “Tip off” a person suspected to be involved in Money Laundering, that they are the subject of Police investigations;
 - Fail to report a suspicion of Money Laundering, and
 - Acquire, use or possess criminal property.

3. Purpose and Intent

- 3.1 The statutory requirements concerning Anti-Money Laundering procedures are extensive and complex. The purpose for this Policy is to enable the Council to meet its legal obligations in a way that is proportionate to the low risk to the Council of contravening the legislative framework.
- 3.2 It is necessary to make all employees and elected Members aware of their responsibilities and the consequences of non-compliance with the Policy.

- 3.3 Whilst the risk to the Council of contravening the legislation is minimal, it is vitally important that all employees and Elected Members are familiar with their responsibilities.

4. When this Policy Applies

- 4.1 When the Council is carrying out relevant business and:

- (a) Forming a business relationship, or
- (b) Considering undertaking a one-off transaction.

- 4.2 Relevant business is defined by the legislation to include, but is not restricted to, investments, accountancy and audit services, and the financial, company and property transactions undertaken by Legal, Financial Services and Property Services.

5. Client Identification Procedures

- 5.1 Note that 'client' refers to the customer, be it a private individual or a business representative, asking the Council to accept and bank money.
- 5.2 Any employee involved in relevant business should ensure the client provides satisfactory evidence of their identity personally, through a passport or photo driving licence plus one other document with their name and address e.g. utility bill, mortgage/building society/bank documents, pension/benefits book, or corporate identity – through company formation documents or business rates.
- 5.3 In any circumstances where the client cannot be physically identified the employee should be aware:-
- (a) That there is greater potential for Money Laundering where the client 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.

6 Record Keeping

- 6.1 The Council and contractors working for the Council conducting relevant business must maintain records of:-
- (a) Client identification evidence obtained, which must be kept for 5 years after the end of the transaction or relationship;
 - (b) Details of all relevant business transactions carried out for clients for at least 5 years from the completion of the transaction. This is so that they may be used as evidence in any subsequent investigation by the relevant authorities into Money Laundering.
- 6.2 The Chief Financial Officer or Deputy must be informed of the existence and location of such records.

7 The Money Laundering Reporting Officer (MLRO)

- 7.1 The Council must nominate officers that take the lead role in combatting money laundering, and these are known as the MLRO
- 7.2 The Officers nominated to receive disclosures about Money Laundering activity within the Council are the Chief Financial Officer (Deputy Chief Executive and Director of Finance) and Deputy (Service Manager, Financial Services).

8 Reporting Requirements

- 8.1 Where an employee or elected Member is aware, or has sound and valid suspicions that Money Laundering may have taken place (or may be taking place), he or she must contact the MLRO for guidance as soon as possible regardless of the amount being offered. In such circumstances, no money may be taken by anyone until this has been done. If money has been received this should be held and kept separate from Council monies.
- 8.2 Any person knowing or suspecting Money Laundering, fraud or use of the proceeds of crime, must report this to the MLRO on the forms attached. When in doubt it is best to report any suspicions.
- 8.3 Upon receipt of receiving the report the MLRO will consider all of the admissible information in order to determine whether there are grounds to suspect Money Laundering.
- 8.4 If the MLRO determines that the information on matters should be disclosed it will be reported to the National Crime Agency (NCA).
- 8.5 At no time and under no circumstances should any employee or elected Member voice any suspicions to the person(s) suspected of Money Laundering, even if the NCA has given consent to a particular transaction proceeding, otherwise the employee/elected Member may be committing the offence of "tipping off". The MLRO will keep the appropriate records in a confidential manner.

9 Related Procedures

- 9.1 The Council will establish other procedures for internal control and communication as may be appropriate for the purpose of the prevention of Money Laundering:
 - (i) Regular receipts – the Council in the normal operation of its business accepts payments from individuals and organisations in respect of a range of activities. For all transactions under £2,000 the Money Laundering Regulations do not apply but if an employee/Member has reasonable grounds to suspect Money Laundering activity or proceeds of crime or is simply suspicious, the matter should still be reported to the MLRO.
 - (ii) Cash receipts – if the money offered in cash is £2,000 or more then payment must not be accepted until the employee has received guidance from the MLRO or the Deputy MLRO.
 - (iii) Refunds – any significant overpayment that results in a repayment will need to be properly investigated and authorised before payment.

10 Effectiveness

- 10.1 The impact and effect of this Policy shall be reviewed at least annually by the Chief Financial Officer.

- 10.2 Anti-Money laundering training will be provided to appropriate officers on a regular basis.

MONEY LAUNDERING REPORTING OFFICER
DISCLOSURE FORM

Date of Disclosure:

Officer making disclosure (inc. Job Title):

Contact Details:

Subject Details:

Title:

Surname:

Forename:

Date of Birth:

In the case of a legal entity (company):

Name:

Address:

Company No. (if known):

Type of Business:

VAT No. (If known):

Reason for disclosure:

Receipt: MLRO or Deputy MLRO will confirm receipt of a completed Disclosure Form within 3 working days.

Appendix 2

WHISTLEBLOWING POLICY AND PROCEDURE

1. INTRODUCTION

1.1 Gedling Borough Council is committed to ensuring that it, and the people working for it, complies with the highest standards of integrity, openness, honesty and accountability.

1.2 The term whistleblowing has a specific legal definition, i.e. a disclosure or allegation of serious wrongdoing made by an employee, and a wider public definition, i.e. any disclosure or allegation of serious wrongdoing made by anyone.

1.3 This policy seeks to cover both disclosures and allegations of serious wrongdoing made by employees and members of the public, and to this end, where this policy makes reference to a whistleblower; it refers to any individual (including Gedling Borough Council employees and/or members of the public) who is making a disclosure or allegation of serious wrongdoing.

1.4 Where any individual, irrespective of whether that individual is either a Gedling Borough Council employee, a worker for a Council contractor (including seconded Council employees) or a member of the public, is aware of any serious wrongdoing, such as:

- Breach of a legal obligation;
- Any criminal activity, including incitement to commit a criminal act;
- Fraud, bribery or corruption;
- A miscarriage of justice;
- A danger to the health or safety of any individual or damage to the environment;
- Abuse of power or authority;
- Failure to comply with professional standards, Council Constitution, policies or codes of practice/conduct;

committed by or related to the actions of:

- Gedling Borough Council employees;
- Members; and/or
- Contractors, agency staff, suppliers or consultants of Gedling Borough Council in the course of their work for the Council;

and reports it, the Council will investigate any such allegations and, where appropriate, take action. The Council is also committed to preventing any harassment, victimisation or unfair treatment of any person arising from their whistleblowing, and where appropriate, take disciplinary action against any member of staff responsible for such harassment, victimisation or unfair treatment against a whistleblower.

1.5 This policy seeks to set out how the Council will handle and respond to any such allegations, made either by Council staff or members of the public.

1.6 Whilst the whistleblowing legislation offers protection to employees, the Council

considers that any such allegations of serious wrongdoing should be investigated, whether they are made by an employee, a user of Gedling Borough Council services, or any member of the public.

1.7 This policy seeks to:

- a) encourage employees and members of the public and/or their representatives to feel confident in raising concerns or allegations in the public interest about suspected serious wrongdoing in the Council and its services without fear of reprisals or victimisation even where the concern or allegations are not subsequently confirmed by the investigation;
- b) give a clear message that allegations of serious wrongdoing or impropriety are taken seriously;
- c) ensure that where the disclosure proves to be well founded, the individuals responsible for such serious wrongdoing will be held accountable for their actions;
- d) set out what employees and members of the public can expect by way of confidentiality and protection when making a whistleblowing disclosure; and
- e) identify independent support for employees who wish to make a whistleblowing disclosure.

1.8 This policy is not designed to be used:

- a) for raising or reconsideration of matters that come under existing internal Gedling Borough Council procedures e.g. Grievance, Disciplinary, Capability, Dignity at Work or Gedling Borough Council's general complaints procedure;
- b) for raising or reconsideration of matters that come within the arrangements for dealing with complaints that a Member has breached the Council's Code of Conduct; or
- c) for allegations that fall within the scope of specific procedures (for example child or vulnerable adult protection) which will normally be referred for consideration under the relevant procedure, unless the employee has good reason to believe that the procedure is not being followed or will not be followed effectively; or
- d) as an appeal process from any complaint or grievance handled under any of the above procedures.

1.9 However, if an allegation made under either of the above complaints processes at (a) and (b) falls inside the scope of a "serious wrongdoing", the Council will investigate the allegation under this process.

1.10 Where a complaint made under this policy falls outside the scope of "serious wrongdoing", Gedling Borough Council will advise the whistleblower of this and consult with the whistleblower in respect of taking the complaint further. Wherever possible, the Council will comply with the views of the whistleblower, but there are situations where the Council is legally required to pass on details of allegations, without the consent of the whistleblower, such as in safeguarding matters, or where the allegations relate to serious criminal activity undertaken by individuals outside the Council.

- 1.11 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.
- 1.12 An employee's concerns about malpractice may in this context include concerns about possible corruption, dangerous procedures risking health and safety, abuse of clients, evasion of statutory responsibilities, damage to the environment or other unethical conduct. The overriding concern should be that it would be in the public interest for the malpractice to be corrected and, if appropriate, sanctions applied.
- 1.13 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. It is recognised that certain cases will have to proceed on a confidential basis. This procedure makes it clear that staff can do so without fear of reprisals. This Whistleblowing Policy is intended to encourage and enable staff to raise serious concerns within the Council rather than overlooking a problem or 'blowing the whistle' outside.

It is in the interests of all concerned - Council, staff and anybody accused of failure that such disclosures are dealt with properly, quickly and appropriately.

- 1.14 This policy is aligned to other Council policies as follows:
- Counter Fraud and Corruption Strategy
 - Codes of Conduct and Declarations of Interests
 - Gifts and Hospitality Code of Practice for Members and Officers
 - Financial Regulations and Contract Standing Orders
 - Disciplinary Procedure
 - Arrangements for dealing with complaints of breach of the Members' Code of Conduct

2. AIMS AND SCOPE OF THIS POLICY

- 2.1 Employees will be expected through agreed procedures and without fear of recrimination, to bring to the attention of the appropriate level of management any suspicion of serious wrong doing or impropriety as defined in paragraph 1.4 above.
- 2.2 This Policy aims to explain how the Council will put that into practice.

It provides –

- avenues for you to raise concerns and receive feedback on any action taken
- allows you to take the matter further if you are dissatisfied with the Council's response, and

- reassures you that you will be protected from reprisals or victimisation for whistleblowing in good faith
- 2.3 The concern may relate to the actions of an officer or Member of the Council or an external contractor carrying out work on the Council's behalf for the Council.
- 2.4 There are existing procedures in place to enable you to lodge a grievance relating to your own employment. This whistleblowing policy is intended to cover concerns that fall outside the scope of other procedures.

3. SAFEGUARDS

3.1 The Public Interest Disclosure Act 1998 makes it unlawful for the Council to dismiss anyone (or carry out any other form of reprisal) on the basis that they have made a protected disclosure.

3.2 A protected disclosure is one made in good faith by an employee who has a reasonable belief that:

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

is being, has been, or is likely to be, committed.

3.3 The Act has rules for making a protected disclosure:

- the disclosure must be in good faith
- the Whistleblower must believe an allegation to be substantially true
- the Whistleblower must not act maliciously or make false allegations
- the Whistleblower must not seek any personal gain

3.4 Harassment or Victimisation

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 harassment or victimisation and will take action to protect you when you raise a concern in good faith.

3.5 This does not mean that if you are already the subject of disciplinary or redundancy procedures, that those procedures will be halted as a result of your whistleblowing.

3.6 Confidentiality

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. However strenuous efforts will be made to obtain independent evidence which will either excuse you from getting involved further, or where that is not possible corroborate your evidence.

3.7 Anonymous Allegations

This policy encourages you to put your name to your allegation. Concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Council.

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

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

3.9 Untrue Allegations

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 malicious or vexatious allegations then this will be investigated under the Council's Disciplinary Procedure, potentially as an act of gross misconduct.

4. HOW TO RAISE A CONCERN - EMPLOYEE

4.1 As a first step, you should normally raise concerns with your immediate manager or their manager. You may also wish to seek advice and guidance from a member of the Personnel team. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. If you believe that management is involved, then you should directly approach the Head of Paid Service (Chief Executive), the Chief Financial Officer or Deputy (Deputy Chief Executive & Director of Finance or Service Manager, Financial Services), the Monitoring Officer or Deputy Monitoring Officer (Director of Organisational Development and Democratic Services or Service Manager, Legal Services) or the Service Manager, Organisational Development.

4.2 Concerns are better raised in writing. However, regardless of the form in which you decide to raise concerns you should set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation. If you do not feel able to put your concern in writing, you can telephone or meet the appropriate officer.

4.3 The earlier you express the concern, the easier it is to take action.

4.4 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.

4.5 Advice and guidance on how matters of concern may be pursued can be obtained from any of the officers set out in paragraph 4.1 above.

4.6 You may invite your trade union or other representative of your choice to raise a matter on your behalf.

5. HOW TO RAISE A CONCERN – MEMBERS OF THE PUBLIC/COUNCIL CONTRACTOR

- 5.1 Unlike disclosures by employees, the Public Interest Disclosure Act does not cover disclosures by members of the public.
- 5.2 However, the Council considers that any disclosures or allegations made by members of the public in respect of serious wrongdoing should be handled in the same way as disclosures made by employees.
- 5.3 Once a disclosure from a member of the public has been received by the Council, it will be handled in the same way as a disclosure made by an employee under the Public Interest Disclosure Act.

6. ACTION TO BE TAKEN BY AN OFFICER RECEIVING A WHISTLEBLOWING ALLEGATION.

- 6.1 Any officer who is informed of a potential problem through the Whistleblowing policy or suspects any irregularity must record the following:
 - Date Discovered
 - Discovery Method
 - Names of Contacts
 - Nature of Irregularity
- 6.2 Where any officer receives such a report, they must not embark on an investigation. The officer must immediately report details of the suspected irregularity to one of six nominated officers (detailed at paragraph 4.1 above) who will then convene a meeting to include at least three nominated officers to determine how the complaint will be handled.
- 6.3 If the allegation is one of monetary fraud then the Chief Financial Officer or Deputy must be involved in that meeting.

7. HOW THE COUNCIL WILL RESPOND

- 7.1 The action taken by the Council will depend on the nature of the concern. The matters raised may:
 - be investigated internally using policies relevant to officers and Members as appropriate
 - be referred to the Police
 - be referred to the external Auditor
 - form the subject of an independent inquiry
- 7.2 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of specific procedures will normally be referred for consideration under those procedures.

- 7.3 Some concerns may be resolved by agreed action without the need for investigation.
- 7.4 Within ten working days of a concern being received, the Council will write to you:
- acknowledging that the concern has been received
 - indicating how it proposes to deal with the matter
 - giving an estimate of how long it will take to provide a final response
 - telling you whether any initial enquiries have been made, and
 - telling you whether further investigations will take place, and if not, why not.
- 7.5 The amount of contact between the officer 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.
- 7.6 When any meeting is arranged, if you wish, you may be accompanied by a Trade Union representative or other person you nominate who is not involved in the area of work to which the concern relates.
- 7.7 The Council will take steps to minimise any difficulties which 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.
- 7.8 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.

8. HOW TO RAISE A CONCERN EXTERNALLY

- 8.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes you will be satisfied. If having pursued your complaint using the procedure outlined you believe that appropriate action has not been taken you may report the matter to the proper authority set out below.
- 8.2 The legislation sets out a number of bodies to which qualifying disclosures may be made. These include (the list is not exhaustive):
- HM Revenue & Customs;
 - the Financial Conduct Authority;
 - the Office of Fair Trading;
 - the Health and Safety Executive;
 - the Environment Agency;
 - the Director of Public Prosecutions;
 - the National Crime Agency;
 - Police.

If you do take the matter outside the Council, you need to ensure that you do not disclose confidential information or that disclosure would be privileged. Check with the Monitoring Officer or Service Manager, Legal Services about that.

9. NOMINATED OFFICERS

9.1 Officers referred to in paragraph 4.1 make up the members of the Corporate Whistleblowing Team and have a collective responsibility for:

- Ensuring that all concerns raised under the Whistleblowing Policy are given initial consideration to determine (a) whether they fall within the remit of the Whistleblowing Policy; (b) if the concerns do fall within the remit of the Whistleblowing Policy, undertaking initial enquiries to determine whether an investigation is appropriate and if so what form it should take; (c) if the concerns do not fall within the remit of the Whistleblowing Policy, ensuring that the complainant is informed of the correct policy/procedure that applies and provided with advice in accordance with that policy/procedure;
- Ensuring that all matters relevant to the complaint are given full and proper consideration before any decisions are made;
- Ensuring that the rights of employees making a protected disclosure are observed and that a fair and proportionate process is followed;
- Appointing an appropriate Senior Officer to oversee the investigation process (where applicable).

9.2 In addition, members of the Corporate Whistleblowing Team have specific responsibilities as follows:

Monitoring Officer/Deputy - – to consider the legal implications of any allegations contained within a whistleblowing complaint, and provide guidance and advice to the receiving manager and the Team on:

- Compliance issues related to the complaint and measures that are required to rectify/ensure compliance;
- Legal consequences of the complaint if proven.

Chief Financial Officer/Deputy – overall responsibility for the process of managing the complaint in accordance with the Policy, to consider the financial implications of any allegations contained within a whistleblowing complaint, and provide guidance and advice to the receiving manager on:

- Measures to avoid or minimise loss or risk to the Council in both the immediate and longer term;
- Whether the allegations are a matter for investigation by external audit and the sourcing of an appropriate external auditor;
- The allocation of appropriate financial resources to fund any associated costs arising from the whistleblowing complaint.

Service Manager, Organisational Development – to consider the human resources implications contained within a whistleblowing complaint, and provide guidance and advice to the receiving manager and the Team on:

- Implications in terms of matters of discipline, suspension and/or capability;
- The appointment of an appropriate internal or external investigator (unless it is a matter for audit investigation);
- Appropriate communication with the complainant and subject of the complaint.

9.3 Although a number of officers have been identified as appropriate to approach, the Chief Financial Officer has overall responsibility for the maintenance and operation of

this policy. A record of concerns raised and the outcomes will be maintained by the Chief Financial Officer but in a form that does not endanger your confidentiality and will report as necessary to the Council.

10. MAINTENANCE OF THE POLICY

- 10.1 The Policy will be reviewed by the Chief Financial Officer and updated in line with current legislation and best practice procedure.

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